

Auditing Procedures Report V1.04



Issued under Public Act 2 of 1968, as amended .

Unit Name	Branch County	County	BRANCH	Type	COUNTY	MuniCode	12-0-100
Opinion Date-Use Calendar	Jul 1, 2008	Audit Submitted-Use Calendar	Jul 15, 2008	Fiscal Year-Use Drop List	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 10,650,197.00
General Fund Expenditure:	\$ 10,832,144.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 2,303,533.00
Governmental Activities Long-Term Debt (see instructions):	\$ 8,901,316.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Aaron	Last Name	Stevens	Ten Digit License Number	1101024055				
CPA Street Address	3511 Coolidge Road, Suite 10	City	East Lansing	State	MI	Zip Code	48823	Telephone	+1 (517) 351-6836
CPA Firm Name	Abraham & Gaffney, P.C.	Unit's Street Address	31 Division Street	City	Coldwater	LU Zip	49036		

Branch County, Michigan
FINANCIAL STATEMENTS
December 31, 2007

Branch County, Michigan

December 31, 2007

BOARD OF COMMISSIONERS

Ted Gordon	Chairperson
William Chinery	Vice-Chairperson
Jerry Hubbard	Commissioner
Dale Swift	Commissioner
Norman Heinemann	Commissioner
Imorean Rubley	Commissioner
Rodney Olney	Commissioner
Don Shemel	Commissioner

ADMINISTRATION AND OTHER ELECTED OFFICIALS

Michael Norman	Administrator
Sandra Thatcher	Treasurer
Terry Kubasiak	Clerk
Nancy Hutchins	Register of Deeds
Michael Hard	Drain Commissioner
Kirk Kashian	Prosecuting Attorney
Warren Canon	Sheriff

Branch County, Michigan

TABLE OF CONTENTS

December 31, 2007

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-x
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds Balance Sheet	3-4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	6-7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Net Assets - Proprietary Funds	9-12
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	13-14
Statement of Cash Flows - Proprietary Funds	15-18
Statement of Net Assets - Fiduciary Funds	19
Statement of Changes in Plan Net Assets - Pension Trust Fund	20
Combining Statement of Net Assets - Component Unit Funds	21-22
Statement of Activities - Component Unit Funds	23
Notes to Financial Statements	24-57
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Budgetary Comparison Schedule - Revenues and Other Financing Sources	58-60
Budgetary Comparison Schedule - Expenditures and Other Financing Uses by Activity	61-63
REVENUE SHARING RESERVE FUND	
Budgetary Comparison Schedule	64
COMMISSION ON AGING FUND	
Budgetary Comparison Schedule	65
EMERGENCY SERVICES FUND	
Budgetary Comparison Schedule	66
JAIL MILLAGE FUND	
Budgetary Comparison Schedule	67
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	68-77
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	78-87
Combining Statement of Net Assets - Internal Service Funds	88
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Funds	89
Combining Statement of Cash Flows - Internal Service Funds	90
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	91

Branch County, Michigan

TABLE OF CONTENTS - CONTINUED

December 31, 2007

	<u>Page</u>
COMPONENT UNIT FUNDS	
DRAINAGE DISTRICTS	
Combining Balance Sheet	92-93
Reconciliation of the Combining Balance Sheet to the Statement of Net Assets	94
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	95-96
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	97
BOARD OF PUBLIC WORKS	
Combining Balance Sheet	98-99
Reconciliation of the Combining Balance Sheet to the Statement of Net Assets	100
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	101-102
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	103
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	104-105
Combining Statement of Cash Flows - Proprietary Funds	106-107
HOUSING COMMISSION	
Balance Sheet	108
Reconciliation of the Balance Sheet to the Statement of Net Assets	109
Statement of Revenues, Expenditures, and Changes in Fund Balance - Housing Commission	110
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance to the Statement of Activities	111
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	112-115

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Branch County
Coldwater, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Branch County, Michigan as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Branch County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Branch County Road Commission or the Community Health Center. The Branch County Road Commission represents 29% and 11%, respectively, of the assets and revenues of the aggregate discretely presented component units. The Community Health Center represents 48% and 77%, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Branch County Road Commission and the Community Health Center is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Branch County, Michigan as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2008, on our consideration of Branch County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Branch County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 1, 2008

Branch County, Michigan

Management's Discussion and Analysis

December 31, 2007

The following is a discussion and analysis of Branch County's (the County's) financial performance and position, providing an overview of the activities for the year ended December 31, 2007. This analysis should be read in conjunction with the *Independent Auditors Report*, beginning on page i of this report, and with the County's financial statements, which follow this section.

Certain limited financial information is presented with respect to the Branch County Road Commission, Branch-Hillsdale-St. Joseph Community Health Agency, and Community Health Center. The reader should refer to the Road Commission's, Community Health Agency's and Community Health Center's separately issued financial statements for more detailed information.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net assets as of December 31, 2007, were \$33,873,826 (excluding component units).
- Governmental activities net assets were \$17,891,241.
- Business-type activities net assets were \$15,982,585.
- Component Unit net assets were \$84,544,680.

Fund Level:

- At the close of the fiscal year, the County's governmental funds reported a total ending fund balance of \$7,647,820 with \$4,469,603 being reserved, designated, or otherwise earmarked for specific purposes.
- The General Fund realized \$121,158 more in revenues and other financing sources than anticipated for the fiscal year. General Fund operations also expended \$521,105 less than appropriated.
- Overall, the General Fund balance increased by \$580,014 to \$2,303,533 with \$2,100,010 undesignated or available for general purposes.

Capital and Long-term Debt Activities:

- The primary government did not issue any new debt during the fiscal year.
- The total long-term debt for the primary government was \$9,253,206 with a net reduction of \$902,947 from the prior year.
- The Drainage Districts issued \$93,000 in new long-term notes.
- The total long-term debt for the component units (Drainage Districts and Board of Public Works only) was \$4,742,583 with a net reduction of \$262,930 from the prior year.
- The long-term debt for the Road Commission was \$410,566 and \$8,875,311 for the Community Health Center.
- The County remains well below its authorized legal debt limit.
- The total additions to the capital asset schedule for the primary government were \$482,698 and included such items as HVAC upgrades at the jail, security cameras, parking lot paving in the parks, and construction at the medical care facility.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the County consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds and proprietary funds and other financial data.

Branch County, Michigan
Management's Discussion and Analysis
December 31, 2007

Government-wide Financial Statements (Reporting the County as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the County as a whole, and about its activities. Their purpose is to assist in answering the question, is the County, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all of the County's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the County's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the County's net assets changed during 2007. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- ***Governmental Activities*** - Most of the County's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the County's general government departments, law enforcement, the courts, the Board of Commissioner operations, and other countywide elected official operations are reported under these activities. This also includes the special revenue funds such as the Commission on Aging and Friend of the Court Funds.
- ***Business-type Activities*** - These activities operate like private businesses. The County charges fees to recover the cost of the services provided. The Delinquent Tax Revolving Fund, County Medical Facility Fund, and Jail Inmate Commissary are examples of these activities.
- ***Discretely Presented Component Units*** - Discretely Presented Component units are legally separate organizations for which the Board of Commissioners appoints a majority of the organization's policy board and there is a degree of financial accountability to the County. Five organizations are included as component units: the Branch County Road Commission, Branch-Hillsdale-St. Joseph Community Health Agency, Drainage Districts, Board of Public Works, and the Community Health Center.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 5 and 8 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.

Branch County, Michigan

Management's Discussion and Analysis

December 31, 2007

- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the County's general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

Fund Financial Statements (Reporting the County's Major Funds)

The fund financial statements, which begin on page 3, provide information on the County's significant (major) funds, and aggregated nonmajor funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the County uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as the Commission on Aging and Child Care Fund; other funds are required by bond or grant agreements, such as the Friend of the Court Fund. Funds are also utilized to track specific operations; these include the internal services funds (e.g. Flexible Benefit Insurance Fund) as well as enterprise funds such as the Inmate Store and Tax Payment Funds.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for Branch County include the General Fund, the Revenue Sharing Reserve Fund, the Commission on Aging Fund, the Delinquent Tax Revolving Fund, the Emergency Services Fund, the Jail Millage Fund and the Medical Care Facility Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The County includes detailed information on its nonmajor funds in the other supplementary information section of this report.

The County's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- **Governmental Funds** - Most of the County's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the County's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).
- **Proprietary Funds** - Services for which the County charges customers (whether outside the County structure or a County department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Medical Care Facility Fund. *Internal Service funds* report activities that provide supplies or service to the County's other operations, such as the Revolving Drain Equipment Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

Branch County, Michigan

Management's Discussion and Analysis

December 31, 2007

- **Fiduciary Funds** - The County acts as a trustee or fiduciary in certain instances. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The County's fiduciary activities are reported in separate statements of Fiduciary Net Assets and Changes in Plan Net Assets on pages 19 and 20. These funds, which include trust and agency funds and the Pension Fund, are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the County to fund its operations.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 24 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for nonmajor governmental, proprietary, and fiduciary funds. These funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

As previously stated, Branch County's combined net assets were \$33,873,826 at the end of this fiscal year's operations. The net assets of the governmental activities were \$17,891,241; the business type activities were \$15,982,585.

Net Assets as of December 31, 2006 and 2007

	Governmental Activities 2006	Governmental Activities 2007	Business Type Activities 2006	Business Type Activities 2007	Total Primary Government 2006	Total Primary Government 2007
Current and Other Assets	\$ 10,451,018	\$ 10,721,986	\$ 12,517,851	\$ 12,976,026	\$ 22,968,869	\$ 23,698,012
Capital Assets	20,410,739	19,233,781	3,906,948	3,726,298	24,317,687	22,960,079
Total Assets	\$ 30,861,757	\$ 29,955,767	\$ 16,424,799	\$ 16,702,324	\$ 47,286,556	\$ 46,658,091
Current Liabilities	\$ 1,513,267	\$ 1,412,751	\$ 673,838	\$ 565,460	\$ 2,187,105	\$ 1,978,211
Noncurrent Liabilities	11,543,528	10,651,775	150,219	154,279	11,693,747	10,806,054
Total Liabilities	\$ 13,056,795	\$ 12,064,526	\$ 824,057	\$ 719,739	\$ 13,880,852	\$ 12,784,265
Net Assets						
Invested in Capital Assets (Net of related debt)	\$ 11,283,167	\$ 10,938,781	\$ 3,906,948	\$ 3,579,740	\$ 15,190,115	\$ 14,518,521
Restricted	4,131,909	3,250,348	91,891	93,508	4,223,800	3,343,856
Unrestricted	2,389,886	3,702,112	11,601,903	12,309,337	13,991,789	16,011,449
Total Net Assets	\$ 17,804,962	\$ 17,891,241	\$ 15,600,742	\$ 15,982,585	\$ 33,405,704	\$ 33,873,826

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the County's primary government net assets changed during the fiscal year:

Branch County, Michigan
Management's Discussion and Analysis
December 31, 2007

Changes in Net Assets for the Fiscal Year Ending December 31, 2006 and 2007

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2007</u>	<u>Business Type Activities 2006</u>	<u>Business Type Activities 2007</u>	<u>Total 2006</u>	<u>Total 2007</u>
Revenues						
Charges for Services	\$ 4,477,834	\$ 4,130,492	\$ 8,510,291	\$ 8,469,333	\$ 12,988,125	\$ 12,599,825
Grants and Contributions	2,467,650	2,762,210	845,264	1,027,554	3,312,914	3,789,764
General Revenues						
Property Taxes	9,916,793	8,700,878	-	-	9,916,793	8,700,878
Investment Earnings	346,153	444,076	387,953	498,154	734,106	942,230
Miscellaneous	471,078	674,830	7,692	4,435	478,770	679,265
Total Revenues	17,679,508	16,712,486	9,751,200	9,999,476	27,430,708	26,711,962
Expenses						
General Government	6,727,241	6,992,001	-	-	6,727,241	6,992,001
Public Safety	4,044,773	5,014,980	-	-	4,044,773	5,014,980
Public Works	295,154	313,655	-	-	295,154	313,655
Health and Welfare	4,059,883	4,007,255	-	-	4,059,883	4,007,255
Community and Econ. Dev.	156,708	171,236	-	-	156,708	171,236
Recreation and Cultural	302,005	355,752	-	-	302,005	355,752
Other	435,714	406,467	7,998,442	8,982,494	8,434,156	9,388,961
Total Expenses	16,021,478	17,261,346	7,998,442	8,982,494	24,019,920	26,243,840
Excess (deficiency)	1,658,030	(548,860)	1,752,758	1,016,982	3,410,788	468,122
Transfers	662,050	635,139	(662,050)	(635,139)	-0-	-0-
Increase (decrease) in Net Assets	2,320,080	86,279	1,090,708	381,843	3,410,788	468,122
Restated Net Assets - Beginning	15,484,882	17,804,962	14,510,034	15,600,742	29,994,916	33,405,704
Net Assets - Ending	<u>\$17,804,962</u>	<u>\$17,891,241</u>	<u>\$15,600,742</u>	<u>\$15,982,585</u>	<u>\$ 33,405,704</u>	<u>\$ 33,873,826</u>

Governmental Activities:

The result of 2007 governmental activity was an increase of \$86,279 to lift net assets to \$17,891,241. Of the total governmental activities' net assets, \$10,938,781 is invested in capital assets less related debt, \$3,250,348 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the County government. The balance of \$3,702,112 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories for governmental activities were property taxes at 52%, charges for services at 25%, and grants and contributions at 17%. The County levied five property tax millages for the 2006 tax levy which is recognized as revenue in 2007, one being for general government operations at 1.5854 mills, which is not assigned to any particular activity, one for 911 Operating at .7500 mills, one for commission of aging (operating) at .7333 mills, one for Jail and Law Enforcement at .4852 mills, and one for veterans relief at .1000. The County also levied 4.7562 mills for general operations in July of 2007 which is recognized as revenue in 2007. Charges for services, which reimburse the County for specific activities, are the second largest source of governmental activity revenue. Examples include District Court fees and services, Clerk's Office filing fees, Register of Deeds filing fees, and inmate telephone charges. Grants and contributions are the third largest source of governmental activity revenue.

Branch County, Michigan
Management's Discussion and Analysis
December 31, 2007

Expenses:

General government is the largest governmental activity, expending \$6,992,001 of the \$17,261,346 governmental activities total and includes offices such as Circuit Court, District Court, Probate/Juvenile Court, Prosecuting Attorney, Board of Commissioners, Treasurer, Clerk, Register of Deeds, Elections and MSU Extension. Public safety is the second largest area, expending \$5,014,980. Public safety includes the sheriff and jail operations.

Business-type Activities:

Net assets in business-type activities increased by \$381,843 during 2007.

Of the total business-type activities net assets, \$12,309,337 is reported as unrestricted. However, it is important to note that although reported as unrestricted, many of these assets are anticipated to be designated through Board of Commissioners action to be spent on General Fund activities and self-funding of delinquent tax payments in future years.

FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR AND NON MAJOR FUNDS

As the County completed 2007, its governmental funds reported *combined* fund balances of \$7,647,820 a net increase of \$315,375. The net changes are summarized in the following chart:

	General Fund	Revenue Sharing Reserve	Commission on Aging	Emergency Services	Jail Millage	Nonmajor Governmental Funds
Fund Balance 12/31/06	\$ 1,723,519	\$ 3,314,940	\$ 175,641	\$ 810,733	\$ 85,558	\$1,222,054
Fund Balance 12/31/07	\$ 2,303,533	\$ 2,500,699	\$ 200,056	\$ 1,029,579	\$ 85,891	\$1,528,062
Net Change	\$ 580,014	\$ (814,241)	\$ 24,415	\$ 218,846	\$ 333	\$ 306,008

The General Fund balance increased by \$580,014. This is mainly due to greater than anticipated current and delinquent property tax collections. The Revenue Sharing Reserve Fund balance decreased by \$814,241. The Commission on Aging Fund balance increased by \$24,415. The Emergency Services Fund increased by \$218,846. The Jail Millage fund balance increased by \$333. The combined nonmajor funds increased by \$306,008 due mainly to an increase of \$170,406 in the Commission on Aging Facility Fund.

General Fund:

The General Fund is the chief operating fund of the County. Unless otherwise required by statute, contractual agreement or Board policy, all County revenues and expenditures are recorded in the General Fund. As of December 31, 2007, the General Fund reported a fund balance of \$2,303,533. This amount is an increase of \$580,014 from the fund balance of \$1,723,519 reported as of December 31, 2006. Of the total fund balance, \$203,523 is reserved, designated or earmarked for specific purposes.

The General Fund 2007 expenditures exceeded 2007 revenues by \$181,947 however; the General Fund also supports the operations of other funds including the Child Care Funds, Friend of the Court, Circuit Court Law Library Fund, and the Airport Fund.

Branch County, Michigan
Management's Discussion and Analysis
December 31, 2007

General Fund Budgetary Highlights:

Branch County's budget is a dynamic document. Although adopted in December (prior to the start of the year), the budget is frequently amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue and other financing sources totaled \$12,773,060, \$121,158 above the final amended budget. There were some wide variations in individual revenue accounts reflecting the tightening national and local economy. Significantly, property tax revenue was \$217,931 greater than budgeted amounts.

The County's General Fund total expenditures and other financing uses budget was increased by \$133,538 (just slightly more than 1% above the original budget) during 2007. Amendments that increased costs to the general fund within the year included the wireless communication project between the Sheriff's Department, County Courts, and the Emergency/911 Center and increased levels of invoices for autopsies performed by the Medical Examiner's Office.

Actual County expenditures for 2007 were \$521,105 below budget. This is due to several reasons including:

- \$14,098 less than planned expenditures for costs of professional services.
- \$19,206 less than planned expenditures for costs of the District Court.

Revenue Sharing Reserve Fund:

As of the last quarter of 2004, the State eliminated State Shared Revenue payments to Counties. In its place Counties are allowed to move up the collection of the levied County allocated millage. Part of the early collection is placed in the Revenue Sharing Reserve Fund. Counties are then allowed to draw down these funds in lieu of receiving State Shared Revenue payments. As of December 31, 2007, the Revenue Sharing Reserve Fund reported a balance of \$2,500,699, a decrease of \$814,241 from the prior year. Of the total fund balance, all \$2,500,699 is undesignated/unreserved.

Commission on Aging Fund:

The Branch County Commission on Aging through the New Horizons Senior Center provides a variety of health and recreation services and activities for the betterment of the senior citizens of the County. Funding is received through sources that include county millage, state and federal grants, and fees and donations generated locally. As of December 31, 2007, the Commission on Aging Fund reported a balance of \$200,056, an increase of \$24,415 from the prior year. Of the total balance, all \$200,056 is undesignated/unreserved.

Emergency Services Fund:

Emergency Services Fund includes a 24-hour a day; 7 days a week central dispatch facility as well as the County's emergency management response. This department answers all emergency and non-emergency calls for service for police, fire, and EMS in Branch County. The program is primarily funded by a millage. As of December 31, 2007, the Emergency Services Fund reported a fund balance of \$1,029,579, an increase of \$218,846 from the prior year. Of the total fund balance, all \$1,029,579 is undesignated/unreserved.

Branch County, Michigan

Management's Discussion and Analysis

December 31, 2007

CAPITAL ASSETS ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2007, the County had invested \$22,960,079 for the primary government and \$13,886,712 for the component units (excluding the Community Health Agency, Road Commission, and Community Mental Health Services, see separately issued financial statements), net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$19,029,582 for the primary government. Depreciation charges for the fiscal year totaled \$1,747,265 for the primary government and \$503,530 for the component units.

	Governmental Activities	Business- type Activities	Component Unit Drains	Component Unit Board of Public Works	Total
Land	\$ 1,169,126	\$ -	\$ -	\$ 1,096,843	\$ 2,265,969
Construction in progress	-	146,558	-	-	146,558
Land improvements, net	3,373,760	217,086	-	-	3,590,846
Buildings, net	11,473,892	3,080,602	-	2,824,534	17,379,028
Equipment, net	2,835,603	282,052	27,716	190,415	3,335,786
Vehicles, net	381,400	-	-	-	381,400
Drains, net	-	-	1,584,914	-	1,584,914
Sewer, net	-	-	-	8,162,290	8,162,290
Capital assets, net	<u>\$ 19,233,781</u>	<u>\$ 3,726,298</u>	<u>\$ 1,612,630</u>	<u>\$12,274,082</u>	<u>\$ 36,846,791</u>

BRANCH COUNTY GOVERNMENT ECONOMIC OUTLOOK:

- State revenue sharing has been eliminated due to state budget problems.
- Other state and federal revenues and/or grants are stagnant.
- Property tax revenue is not rising as rapidly as in past years.
- Foreclosures are at a record high.
- Investment earnings are near historically low levels.
- Health and dental insurance premiums are rising much faster than the rate of inflation.
- Liability insurance premiums are rising much faster than the rate of inflation.
- Utility and fuel costs are rising faster than the rate of inflation.

These factors were considered in adopting the Budget for 2008. A usage of \$175,000 of the County's limited fund balance was included to balance the General Fund Budget. The County continues to look for ways to increase efficiencies and reduce the cost of doing business.

CONTACTING THE COUNTY

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Branch County Treasurer's Office at (517) 279-4321 or Branch County Administrator's Office at (517) 279-4301.

BASIC FINANCIAL STATEMENTS

Branch County, Michigan
STATEMENT OF NET ASSETS
December 31, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,370,915	\$ 4,413,833	\$ 5,784,748	\$ 9,940,419
Investments	5,612,325	2,647,809	8,260,134	3,312,229
Investments - restricted	-	-	-0-	1,258,107
Receivables	3,224,215	2,234,052	5,458,267	18,197,384
Inventories	4,181	-	4,181	2,076,751
Prepaid expenses	-	88,366	88,366	-
Other current assets	-	-	-0-	955,476
Due from other governmental units	366,350	-	366,350	140,025
Total current assets	10,577,986	9,384,060	19,962,046	35,880,391
Noncurrent assets				
Cash and cash equivalents	-	-	-0-	2,326,023
Investments	-	787,477	787,477	180,853
Restricted cash and cash equivalents	-	842,535	842,535	-
Restricted investments	-	1,961,954	1,961,954	-
Advance to other governmental units	144,000	-	144,000	-
Capital assets not being depreciated	1,169,126	146,558	1,315,684	6,073,508
Capital assets, net of accumulated depreciation	18,064,655	3,579,740	21,644,395	61,168,939
Other noncurrent assets	-	-	-0-	577,477
Total noncurrent assets	19,377,781	7,318,264	26,696,045	70,326,800
TOTAL ASSETS	29,955,767	16,702,324	46,658,091	106,207,191
LIABILITIES				
Current liabilities				
Accounts payable	189,955	137,616	327,571	2,012,713
Accrued payroll	211,114	125,309	336,423	140,118
Quality assurance supplement tax liabilities	-	59,681	59,681	-
Other accrued liabilities	138,752	26,216	164,968	4,233,525
Due to other governmental units	7,298	11,029	18,327	405,416
Payable from restricted assets - due to patients	-	7,998	7,998	-
Short-term debt	-	-	-0-	11,500
Deferred revenue	-	-	-0-	341,194
Current portion of compensated absences	60,632	197,611	258,243	225,319
Current portion of long-term debt	805,000	-	805,000	1,070,493
Total current liabilities	1,412,751	565,460	1,978,211	8,440,278
Noncurrent liabilities				
Deferred revenue	2,582,091	-	2,582,091	-
Advance from other governmental units	34,000	-	34,000	35,000
Noncurrent portion of compensated absences	545,684	154,279	699,963	305,258
Noncurrent portion of long-term debt	7,490,000	-	7,490,000	12,531,975
Other noncurrent liabilities	-	-	-0-	350,000
Total noncurrent liabilities	10,651,775	154,279	10,806,054	13,222,233
TOTAL LIABILITIES	12,064,526	719,739	12,784,265	21,662,511
NET ASSETS				
Invested in capital assets, net of related debt	10,938,781	3,579,740	14,518,521	53,628,479
Restricted for:				
Public safety	85,891	-	85,891	-
Debt service	-	-	-0-	324,131
Other purposes	3,164,457	93,508	3,257,965	1,588,965
Unrestricted	3,702,112	12,309,337	16,011,449	29,003,105
TOTAL NET ASSETS	\$ 17,891,241	\$ 15,982,585	\$ 33,873,826	\$ 84,544,680

See accompanying notes to financial statements.

Branch County, Michigan
STATEMENT OF ACTIVITIES
Year Ended December 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Component Units
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 6,992,001	\$ 2,309,298	\$ 1,443,668	\$ 38,289	\$ (3,200,746)	\$ -	\$ (3,200,746)	\$ -
Public safety	5,014,980	840,496	194,090	-	(3,980,394)	-	(3,980,394)	-
Public works	313,655	-	-	-	(313,655)	-	(313,655)	-
Health and welfare	4,007,255	446,257	710,967	375,196	(2,474,835)	-	(2,474,835)	-
Community and economic development	171,236	-	-	-	(171,236)	-	(171,236)	-
Recreation and cultural	355,752	366,399	-	-	10,647	-	10,647	-
Interest on long-term debt	406,467	168,042	-	-	(238,425)	-	(238,425)	-
Total governmental activities	17,261,346	4,130,492	2,348,725	413,485	(10,368,644)	-0-	(10,368,644)	-0-
Business-type activities:								
Delinquent tax revolving	7,207	405,745	-	-	-	398,538	398,538	-
Medical care facility	8,883,041	7,956,390	1,027,554	-	-	100,903	100,903	-
Jail commissary	92,246	107,198	-	-	-	14,952	14,952	-
Total business-type activities	8,982,494	8,469,333	1,027,554	-0-	-0-	514,393	514,393	-0-
Total primary government	\$ 26,243,840	\$ 12,599,825	\$ 3,376,279	\$ 413,485	(10,368,644)	514,393	(9,854,251)	-0-
Component units:								
Road Commission	\$ 7,261,423	\$ 2,115,737	\$ 5,626,317	\$ 584,864	-	-	-0-	1,065,495
Branch-Hillsdale-St. Joseph Community Health Agency	7,775,749	1,205,986	5,602,471	-	-	-	-0-	(967,292)
Drainage Districts	537,001	-	-	619,404	-	-	-0-	82,403
Board of Public Works	1,063,212	459,722	3,024	477,610	-	-	-0-	(122,856)
Community Health Center	61,138,564	59,206,683	150,443	-	-	-	-0-	(1,781,438)
Housing Commission	85,357	-	53,496	-	-	-	-0-	(31,861)
Total component units	\$ 77,861,306	\$ 62,988,128	\$ 11,435,751	\$ 1,681,878	-0-	-0-	-0-	(1,755,549)
General revenues:								
Property taxes					8,700,878	-	8,700,878	-
Investment earnings					444,076	498,154	942,230	1,104,051
Appropriations					-	-	-0-	972,202
Cigarette tax					-	-	-0-	50,183
Miscellaneous					674,830	4,435	679,265	439,263
Transfers					635,139	(635,139)	-0-	-
Total general revenues and transfers					10,454,923	(132,550)	10,322,373	2,565,699
Change in net assets					86,279	381,843	468,122	810,150
Net assets, beginning of the year					17,804,962	15,600,742	33,405,704	83,734,530
Net assets, end of the year					\$ 17,891,241	\$ 15,982,585	\$ 33,873,826	\$ 84,544,680

See accompanying notes to financial statements.

Branch County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2007

	General	Revenue Sharing Reserve	Commission on Aging
ASSETS			
Cash and cash equivalents	\$ (4,001,588)	\$ 2,500,699	\$ 209,354
Investments	5,612,325	-	-
Accounts receivable	4,729	-	5,722
Taxes receivable	621,133	-	915,372
Inventories	-	-	-
Due from other funds	-	-	5,199
Due from other governmental units -			
Local	13,281	-	-
Federal/State	179,891	-	-
Advances to other funds	30,000	-	-
Advances to other governmental units	144,000	-	-
TOTAL ASSETS	\$ 2,603,771	\$ 2,500,699	\$ 1,135,647
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 125,794	\$ -	\$ 9,759
Accrued payroll	159,879	-	9,717
Other accrued liabilities	11,405	-	743
Due to other funds	-	-	-
Due to other governmental units	3,160	-	-
Advance from State	-	-	-
Deferred revenue	-	-	915,372
TOTAL LIABILITIES	300,238	-0-	935,591
FUND BALANCES			
Reserved for:			
Inventories	-	-	-
Veterans	260	-	-
Remonumentation	16,535	-	-
SCAAP Grant	12,728	-	-
Advances	174,000	-	-
Clock tower expenditures	-	-	-
Unreserved			
Designated for debt service	-	-	-
Undesignated, reported in:			
General fund	2,100,010	-	-
Special revenue funds	-	2,500,699	200,056
TOTAL FUND BALANCES	2,303,533	2,500,699	200,056
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,603,771	\$ 2,500,699	\$ 1,135,647

See accompanying notes to financial statements.

Emergency Services	Jail Millage	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,047,063	\$ 85,891	\$ 1,459,813	\$ 1,301,232
-	-	-	5,612,325
10,540	-	-	20,991
936,219	605,671	124,829	3,203,224
-	-	370	370
-	-	-	5,199
-	-	-	13,281
-	-	173,178	353,069
-	-	-	30,000
-	-	-	144,000
<u>\$ 1,993,822</u>	<u>\$ 691,562</u>	<u>\$ 1,758,190</u>	<u>\$ 10,683,691</u>
\$ 8,391	\$ -	\$ 41,038	\$ 184,982
18,238	-	23,280	211,114
1,395	-	1,782	15,325
-	-	5,199	5,199
-	-	-	3,160
-	-	34,000	34,000
936,219	605,671	124,829	2,582,091
964,243	605,671	230,128	3,035,871
-	-	370	370
-	-	-	260
-	-	-	16,535
-	-	-	12,728
-	-	-	174,000
-	-	5,710	5,710
-	-	320,000	320,000
-	-	-	2,100,010
1,029,579	85,891	1,201,982	5,018,207
1,029,579	85,891	1,528,062	7,647,820
<u>\$ 1,993,822</u>	<u>\$ 691,562</u>	<u>\$ 1,758,190</u>	<u>\$ 10,683,691</u>

Branch County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2007

Total fund balances - governmental funds **\$ 7,647,820**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 32,478,085	
Accumulated depreciation is	<u>(13,244,304)</u>	
Capital assets, net		19,233,781

Internal Service Funds are used by management to charge the costs
of certain activities to individual funds. The assets and liabilities
of the Internal Service Funds are included in the governmental activities
in the Government-wide Statement of Net Assets

Net assets of governmental activities accounted for in Internal Service Funds	34,383
--	--------

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Direct County obligations	8,295,000	
Accrued interest payable	123,427	
Compensated absences	<u>606,316</u>	
		<u>(9,024,743)</u>

Net assets of governmental activities	<u>\$ 17,891,241</u>
--	-----------------------------

See accompanying notes to financial statements.

Branch County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2007

	General	Revenue Sharing Reserve	Commission on Aging
REVENUES			
Taxes	\$ 6,251,128	\$ -	\$ 568,596
Licenses and permits	93,516	-	-
Intergovernmental	921,780	-	95,515
Charges for services	1,979,381	-	163,391
Fines and forfeits	121,347	-	-
Interest and rents	669,108	90,060	26,783
Other	613,937	-	21,854
TOTAL REVENUES	10,650,197	90,060	876,139
EXPENDITURES			
Current			
General government	5,478,028	-	-
Public safety	4,083,865	-	-
Public works	71,596	-	-
Health and welfare	603,460	-	902,580
Community and economic development	7,505	-	-
Recreation and cultural	2,000	-	-
Other	391,935	750	-
Capital outlay	144,404	-	12,774
Debt service	49,351	-	-
TOTAL EXPENDITURES	10,832,144	750	915,354
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(181,947)	89,310	(39,215)
OTHER FINANCING SOURCES (USES)			
Transfers in	2,122,863	-	63,630
Transfers out	(1,360,902)	(903,551)	-
TOTAL OTHER FINANCING SOURCES (USES)	761,961	(903,551)	63,630
NET CHANGE IN FUND BALANCES	580,014	(814,241)	24,415
Fund balances, beginning of year	1,723,519	3,314,940	175,641
Fund balances, end of year	\$ 2,303,533	\$ 2,500,699	\$ 200,056

See accompanying notes to financial statements.

Emergency Services	Jail Millage	Nonmajor Governmental Funds	Total Governmental Funds
\$ 885,387	\$ 572,761	\$ 423,005	\$ 8,700,877
-	-	354,562	448,078
2,981	-	1,851,920	2,872,196
271,848	-	513,957	2,928,577
-	-	13,491	134,838
44,079	2,240	83,678	915,948
7,220	-	68,958	711,969
1,211,515	575,001	3,309,571	16,712,483
-	-	1,031,154	6,509,182
-	450	437,767	4,522,082
-	-	-	71,596
989,990	-	1,194,130	3,690,160
-	-	-	7,505
-	-	259,558	261,558
-	-	-	392,685
24,589	-	141,021	322,788
14,930	-	1,190,410	1,254,691
1,029,509	450	4,254,040	17,032,247
182,006	574,551	(944,469)	(319,764)
36,840	-	1,553,267	3,776,600
-	(574,218)	(302,790)	(3,141,461)
36,840	(574,218)	1,250,477	635,139
218,846	333	306,008	315,375
810,733	85,558	1,222,054	7,332,445
<u>\$ 1,029,579</u>	<u>\$ 85,891</u>	<u>\$ 1,528,062</u>	<u>\$ 7,647,820</u>

Branch County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2007

Net change in fund balances - total governmental funds \$ 315,375

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 266,128	
Depreciation expense	(1,402,130)	
Net effect of disposal of capital assets	<u>(40,956)</u>	
Excess of depreciation expense and other items over capital outlay		(1,176,958)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Net income from governmental activities accounted for in Internal Service Funds	9,427	
Depreciation expense of Internal Service Funds included in the total above	<u>50</u>	
		9,477

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal and capital lease retirement	832,572
---	---------

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	15,652	
Decrease in accrued compensated absences	<u>90,161</u>	
		105,813

Change in net assets of governmental activities \$ 86,279

See accompanying notes to financial statements.

Branch County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2007

	Business-type		
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Fund (Jail Commissary)
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,829,328	\$ 2,542,424	\$ 42,081
Investments	2,543,733	104,076	-
Accounts receivable	-	746,418	-
Delinquent taxes receivable	1,487,634	-	-
Inventories	-	-	-
Prepaid expenses	-	88,366	-
Total current assets	5,860,695	3,481,284	42,081
Noncurrent assets			
Investments	787,477	-	-
Restricted cash and cash equivalents	-	842,535	-
Restricted investments	-	1,961,954	-
Capital assets not being depreciated	-	146,558	-
Capital assets, net of accumulated depreciation	-	3,579,740	-
Total noncurrent assets	787,477	6,530,787	-0-
TOTAL ASSETS	6,648,172	10,012,071	42,081
LIABILITIES			
Current liabilities			
Accounts payable	928	132,596	4,092
Accrued payroll	-	125,309	-
Other accrued liabilities	-	26,216	-
Quality assurance supplement tax liabilities	-	59,681	-
Due to other governmental units	11,029	-	-
Payable from restricted assets - due to patients	-	7,998	-
Current portion of compensated absences	-	197,611	-
Total current liabilities	11,957	549,411	4,092
Noncurrent liabilities			
Advance from other funds	-	-	-
Noncurrent portion of compensated absences	-	154,279	-
Total noncurrent liabilities	-0-	154,279	-0-
TOTAL LIABILITIES	11,957	703,690	4,092

Activities	Governmental Activities
Total	Internal Service Funds
\$ 4,413,833	\$ 69,683
2,647,809	-
746,418	-
1,487,634	-
-0-	3,811
88,366	-
9,384,060	73,494
787,477	-
842,535	-
1,961,954	-
146,558	-
3,579,740	-
7,318,264	-0-
16,702,324	73,494
137,616	4,973
125,309	-
26,216	-
59,681	-
11,029	4,138
7,998	-
197,611	-
565,460	9,111
-0-	30,000
154,279	-
154,279	30,000
719,739	39,111

Branch County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS - CONTINUED

December 31, 2007

	Business-type		
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Fund (Jail Commissary)
NET ASSETS			
Invested in capital assets, net of related debt	\$ -	\$ 3,579,740	\$ -
Restricted for tax administration	65,250	-	-
Restricted for memorials	-	28,258	-
Unrestricted	6,570,965	5,700,383	37,989
TOTAL NET ASSETS	<u>\$ 6,636,215</u>	<u>\$ 9,308,381</u>	<u>\$ 37,989</u>

See accompanying notes to financial statements.

Activities	Governmental Activities
Total	Internal Service Funds
\$ 3,579,740	\$ -
65,250	-
28,258	-
12,309,337	34,383
<u>\$ 15,982,585</u>	<u>\$ 34,383</u>

Branch County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2007

	Business-type		
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Fund (Jail Commissary)
OPERATING REVENUES			
Sales	\$ -	\$ 2,994	\$ 107,198
Interest on taxes	266,679	-	-
Charges for services	119,672	7,849,413	-
Other	19,394	103,983	-
TOTAL OPERATING REVENUES	405,745	7,956,390	107,198
OPERATING EXPENSES			
Personal services	-	4,733,133	-
Fringe benefits	-	1,132,598	-
Operating supplies	-	594,866	91,961
Contractual services	-	730,564	-
Depreciation	-	335,961	-
Other	7,207	561,763	285
TOTAL OPERATING EXPENSES	7,207	8,088,885	92,246
OPERATING INCOME (LOSS)	398,538	(132,495)	14,952
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	271,731	226,423	-
Quality assurance supplement tax revenue	-	1,027,554	-
Quality assurance supplement tax expense	-	(703,991)	-
Maintenance of effort	-	(89,087)	-
Memorial revenue	-	4,435	-
Memorial expense	-	(1,078)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	271,731	464,256	-0-
INCOME BEFORE TRANSFERS	670,269	331,761	14,952
TRANSFERS OUT	(635,139)	-	-
CHANGE IN NET ASSETS	35,130	331,761	14,952
Net assets, beginning of year	6,601,085	8,976,620	23,037
Net assets, end of year	\$ 6,636,215	\$ 9,308,381	\$ 37,989

See accompanying notes to financial statements.

Activities	Governmental Activities
Total	Internal Service Funds
\$ 110,192	\$ -
266,679	-
7,969,085	74,261
123,377	-
8,469,333	74,261
4,733,133	-
1,132,598	64,021
686,827	-
730,564	-
335,961	50
569,255	1,960
8,188,338	66,031
280,995	8,230
498,154	1,197
1,027,554	-
(703,991)	-
(89,087)	-
4,435	-
(1,078)	-
735,987	1,197
1,016,982	9,427
(635,139)	-
381,843	9,427
15,600,742	24,956
<u>\$ 15,982,585</u>	<u>\$ 34,383</u>

Branch County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2007

	Business-type		
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Fund (Jail Commissary)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 147,664	\$ 7,966,756	\$ 107,198
Cash paid to suppliers	(1,673)	(2,034,085)	(94,265)
Cash paid for employee benefits	-	(1,132,598)	-
Cash paid to employees	-	(4,708,128)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	145,991	91,945	12,933
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Maintenance of effort	-	(89,087)	-
Memorial revenue	-	4,435	-
Memorial expense	-	(1,078)	-
Transfers out	(635,139)	-	-
Advance from other fund	-	-	-
Quality assurance supplement tax revenue	-	1,027,554	-
Quality assurance supplement tax expense	-	(703,991)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(635,139)	237,833	-0-
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVATES			
Capital acquisitions	-	(216,570)	-
Sale of capital assets	-	61,259	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVATES	-0-	(155,311)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(3,331,210)	(2,066,030)	-
Maturity of investments	3,563,375	2,488,958	-
Interest revenue	271,731	226,423	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	503,896	649,351	-0-
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,748	823,818	12,933
Cash and cash equivalents, beginning of year	1,814,580	2,561,141	29,148
Cash and cash equivalents, end of year	<u>\$ 1,829,328</u>	<u>\$ 3,384,959</u>	<u>\$ 42,081</u>
See accompanying notes to financial statements.			

Activities	Governmental Activities
Total	Internal Service Funds
\$ 8,221,618	\$ 74,261
(2,130,023)	(1,960)
(1,132,598)	(59,048)
(4,708,128)	-
250,869	13,253
(89,087)	-
4,435	-
(1,078)	-
(635,139)	-
-0-	20,000
1,027,554	-
(703,991)	-
(397,306)	20,000
(216,570)	-
61,259	-
(155,311)	-0-
(5,397,240)	-
6,052,333	-
498,154	1,197
1,153,247	1,197
851,499	34,450
4,404,869	35,233
<u>\$ 5,256,368</u>	<u>\$ 69,683</u>

Branch County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2007

	Business-type		
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Fund (Jail Commissary)
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 398,538	\$ (132,495)	\$ 14,952
Adjustments to reconcile operating (loss) to net cash provided by operating activities			
Depreciation	-	335,961	-
Decrease in accounts receivable	-	10,366	-
(Increase) in delinquent taxes receivable	(258,081)	-	-
(Increase) in prepaid expenses	-	(14,054)	-
Increase (decrease) in accounts payable	100	(22,604)	(2,019)
Increase in accrued payroll	-	25,005	-
Increase in other accrued liabilities	-	21,261	-
(Decrease) in quality assurance supplement tax liabilities	-	(107,860)	-
Increase (decrease) in due to other governmental units	5,434	(20,724)	-
(Decrease) in due to patients	-	(2,911)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 145,991</u>	<u>\$ 91,945</u>	<u>\$ 12,933</u>

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service Funds</u>
\$ 280,995	\$ 8,230
335,961	50
10,366	-
(258,081)	-
(14,054)	-
(24,523)	4,973
25,005	-
21,261	-
(107,860)	-
(15,290)	-
<u>(2,911)</u>	<u>-</u>
<u>\$ 250,869</u>	<u>\$ 13,253</u>

Branch County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2007

	Agency Funds	Pension Fund
ASSETS		
Cash	\$ 1,125,560	\$ -
Investments	-	34,748,120
TOTAL ASSETS	<u>\$ 1,125,560</u>	<u>\$ 34,748,120</u>
LIABILITIES		
Undistributed collections payable	\$ 407	\$ -
Defendant bonds payable	171,310	-
Due to other governmental units		
Federal/State	45,063	-
Local	826,082	-
Due to individuals and agencies	82,698	-
TOTAL LIABILITIES	<u>\$ 1,125,560</u>	<u>-0-</u>
NET ASSETS		
Held in trust for pension benefits		34,748,120
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 34,748,120</u>

See accompanying notes to financial statements.

Branch County, Michigan

Pension Trust Fund

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended December 31, 2007

	<u>Pension Fund</u>
ADDITIONS	
Investment income	
Interest and dividends	\$ 2,002,744
Net increase in fair value of investments	<u>226,955</u>
Net investment income	2,229,699
Contributions	
Employer	472,667
Employee	<u>999,009</u>
Total contributions	<u>1,471,676</u>
Total additions	3,701,375
DEDUCTIONS	
Benefit payments	1,615,015
Administrative expenses	<u>87,854</u>
Total deductions	<u>1,702,869</u>
CHANGE IN NET ASSETS	1,998,506
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>32,749,614</u>
End of year	<u><u>\$ 34,748,120</u></u>

See accompanying notes to financial statements.

Branch County, Michigan

Component Units

COMBINING STATEMENT OF NET ASSETS

December 31, 2007

	Road Commission	Branch-Hillsdale- St. Joseph Community Health Agency	Community Health Center
ASSETS			
Current assets			
Cash and cash equivalents	\$ 171,852	\$ 1,145,777	\$ 6,670,947
Investments	-	-	3,312,229
Investments - restricted	-	-	1,258,107
Receivables	923,457	235,537	10,560,254
Inventories	561,160	187,604	1,300,834
Due from other governmental units	-	135,887	-
Other current assets	-	97,635	857,841
Total current assets	1,656,469	1,802,440	23,960,212
Noncurrent assets			
Cash and cash equivalents	-	-	2,326,023
Investments	-	-	180,853
Capital assets not being depreciated	3,383,335	-	1,593,330
Capital assets, net of accumulated depreciation	26,203,262	12,867	22,162,941
Other noncurrent assets	-	-	577,477
Total noncurrent assets	29,586,597	12,867	26,840,624
TOTAL ASSETS	31,243,066	1,815,307	50,800,836
LIABILITIES			
Current liabilities			
Accounts payable	404,820	181,957	1,421,890
Accrued payroll	-	137,782	-
Other accrued liabilities	82,132	17,761	4,082,791
Due to other governmental units	296,416	-	-
Short-term debt	-	-	-
Deferred revenue	57,173	284,021	-
Current portion of compensated absences	48,000	177,319	-
Current portion of long-term debt	74,522	-	590,459
Total current liabilities	963,063	798,840	6,095,140
Noncurrent liabilities			
Advance from other governmental units	-	-	-
Noncurrent portion of compensated absences	255,245	50,013	-
Noncurrent portion of long-term debt	32,799	-	8,284,852
Other noncurrent liabilities	-	-	350,000
Total noncurrent liabilities	288,044	50,013	8,634,852
TOTAL LIABILITIES	1,251,107	848,853	14,729,992
NET ASSETS			
Invested in capital assets, net of related debt	29,479,276	12,867	14,880,960
Restricted for:			
Specific purposes	-	-	1,588,965
Debt service	-	-	-
Unrestricted	512,683	953,587	19,600,919
TOTAL NET ASSETS	\$ 29,991,959	\$ 966,454	\$ 36,070,844

See accompanying notes to financial statements.

Drainage Districts	Board of Public Works	Housing Commission	Total Component Units
\$ 817,069	\$ 1,102,340	\$ 32,434	\$ 9,940,419
-	-	-	3,312,229
-	-	-	1,258,107
783,047	5,687,772	7,317	18,197,384
27,153	-	-	2,076,751
4,138	-	-	140,025
-	-	-	955,476
1,631,407	6,790,112	39,751	35,880,391
-	-	-	2,326,023
-	-	-	180,853
-	1,096,843	-	6,073,508
1,612,630	11,177,239	-	61,168,939
-	-	-	577,477
1,612,630	12,274,082	-0-	70,326,800
3,244,037	19,064,194	39,751	106,207,191
279	3,767	-	2,012,713
-	2,336	-	140,118
23,852	26,989	-	4,233,525
109,000	-	-	405,416
11,500	-	-	11,500
-	-	-	341,194
-	-	-	225,319
139,280	266,232	-	1,070,493
283,911	299,324	-0-	8,440,278
-	35,000	-	35,000
-	-	-	305,258
208,303	4,006,021	-	12,531,975
-	-	-	350,000
208,303	4,041,021	-0-	13,222,233
492,214	4,340,345	-0-	21,662,511
1,253,547	8,001,829	-	53,628,479
-	-	-	1,588,965
324,131	-	-	324,131
1,174,145	6,722,020	39,751	29,003,105
\$ 2,751,823	\$ 14,723,849	\$ 39,751	\$ 84,544,680

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Branch, Michigan was incorporated in 1829, and covers an area of approximately 528 square miles with the County seat located in the City of Coldwater. The County operates under an elected Board of Commissioners and provides services to its more than 41,500 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County does not apply the Financial Accounting Standards Board's Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989. The County's more significant accounting policies are described below.

1. Financial Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Branch County (primary government) and its component units. The component units described in Sections 2, 3, and 4 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities, are in substance part of the County's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

2. Blended Component Units

The Branch County Building Authority is governed by a four (4) member Board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Branch County Building Authority is reported as if it were part of the (blended) primary government because its sole purpose is to finance and construct the County's public buildings.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, Branch County remains financially accountable for these entities, or the nature and significance of the relationship between these entities and Branch County is such that exclusion of these entities would render the financial statements misleading or incomplete.

The Branch County Road Commission maintains local, state, and federal trunklines within Branch County. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, federal financial assistance, and contributions from other local governmental units within the County. The three (3) member Board of Road Commissioners are appointed by the Branch County Board of Commissioners. The Road Commission is financially accountable to the County due to all general long-term debt issuances excluding capital lease purchase agreements require County authorization. This component unit is audited individually and the financial statements of the Branch County Road Commission may be obtained from the administrative office of the Road Commission located at 23 E. Garfield, Coldwater, MI 49036, or from the Branch County Clerk's Office located within the County Government Complex.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - continued

The Branch County Board of Public Works (BPW) is a seven (7) member Board comprised of the Drain Commissioner and six (6) members appointed by the County Board of Commissioners. The BPW Board establishes policy and reviews operations of the BPW for the County Board of Commissioners. The BPW can acquire, improve, operate, and maintain water and sewage disposal systems for local units of government and has the responsibility of administering the various local unit public works construction projects and the associated debt service funds under the provision of Act 185 of the Public Acts of 1957. The Board of Public Works is financially accountable to the County because all general obligation bond issuances require County authorization and are backed by the full faith and credit of the County.

The Branch County Drainage Districts come under the jurisdiction of the Branch County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and may borrow up to \$300,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Local Audit and Finance division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance. The Drainage Districts are financially accountable to the County because bond issuances greater than \$300,000 require County authorization and are backed by the full faith and credit of the County.

The Community Health Center (Hospital) was established by the County Board of Commissioners pursuant to provisions of Public Act 230, 1987. The corporation is managed by a nine (9) member Board of Trustees appointed by the County Board of Commissioners. Trustees can be removed by a majority vote of the County Board of Commissioners. The Board of Trustees may not sell, transfer, mortgage, or encumber any real estate without approval by the County Board of Commissioners. County Board of Commissioner approval is required for single capital expenditures in excess of \$500,000; incurrence of long-term indebtedness or refinancing of short-term indebtedness; sale, lease, transfer, exchange or other disposition of non-real estate assets in excess of \$1,000,000; and contracts with a hospital management corporation and others. The Hospital provides a short-term acute-care facility offering in-patient and outpatient health care services primarily to citizens of Branch County. This Component Unit is audited individually and complete financial statements of the Hospital may be obtained from the administrative office of the Hospital located at 274 E. Chicago Street, Coldwater, MI 49036, or from the Branch County Clerk's Office located within the County Government Complex.

The Economic Development Corporation (EDC), which was established pursuant to the provisions of Public Act 338 of 1974, as amended, is governed by a nine (9) person Board of Directors appointed by the County Board of Commissioners. The EDC may not issue debt without the County's approval. The Economic Development Corporation had no assets or liabilities as of December 31, 2007.

The Branch County Housing Commission was established in 1913, pursuant to the county road law (MCL 224.1). The Housing Commission is administered by a three (3) member Board appointed by the Branch County Board of Commissioners. Its sole purpose is to rehabilitate and make safe inhabited dwellings existing in the County of Branch. The Branch County Board of Commissioners approves all grants received by the Housing Commission.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Joint Venture

The Branch-Hillsdale-St. Joseph Community Health Agency is a joint venture between Branch, Hillsdale, and St. Joseph Counties, and was established to provide public health services. The Community Health Agency Board has representation and provides services to Branch, Hillsdale, and St. Joseph Counties. Each County provides annual appropriations and passes through the statutory amounts of cigarette tax funding to subsidize operations. The current funding formula approved by the District Health Board requires Branch, Hillsdale, and St. Joseph Counties to provide 30, 30, and 40 percent, respectively. In addition, the treasury function for the District Health Department rests with the Branch County Treasurer. For this reason, the Community Health Agency is discretely presented in the Branch County financial statements. This component unit is audited individually and financial statements are issued under separate cover. The Branch-Hillsdale-St. Joseph Community Health Agency activities are reported on a fiscal year-end of September 30, 2007.

The financial statements of the Community Health Agency maybe obtained from the administrative office of the Agency located at 570 N. Marshall Road, Coldwater, Michigan 49036.

5. Related Organizations

Branch County in conjunction with the City of Coldwater entered into an agreement to create the Branch District Library. The District is a legally separate organization established to provide library services to residents of Branch County. On August 1991, voters approved a special mileage to fund the District Library.

The District consists of the entire geographic area of Branch County. It is governed by a seven (7) member Board; two (2) appointed by the City and five (5) appointed by the County. The County's accountability does not extend beyond this representation and making these appointments. The Board is empowered to propose and levy upon approval of the electors a tax for support of the District Library. It may also borrow money and issue bonds pursuant to the District Library Financing Act 265 of 1988. The District Library indemnifies and holds harmless the participating municipalities from all claims and liabilities. The County does levy a tax for the District; however, the County does not hold title to any of the District's assets, nor does it have rights to any surpluses or responsibility to finance any deficits of the District.

Branch County, in conjunction with four (4) other Counties, has entered into an agreement that created the Region Eight Substance Abuse Agency. This organization's Board is composed solely of the Kalamazoo County Board of Commissioners who handles all oversight functions of the Agency. The County's financial responsibility is to pass through 50% of the Convention and Tourism revenues received to the Commission. For the year ended December 31, 2007, the County did not pass any funds through.

The Branch Area Transit Authority (BATA) was established as a legally separate organization pursuant to Public Act 196 of 1986. The incorporating subdivisions include the City of Coldwater, Villages of Quincy, Sherwood and Union City, and Branch County.

The Authority is governed by an eight (8) person Board of Directors, three (3) selected by Branch County, two (2) by the City of Coldwater, and one (1) each by each of the Villages within the County. The County's accountability does not extend beyond this representation and making these appointments. The Board maintains its own accounting system; may employ a manager or executive director; adopt rules, regulations, and policies governing employees, property, and facilities; prepares an annual financial report; and adopts by-laws, policies, and procedures deemed necessary for conduct of business. The Authority is financed through grants from Federal and State government, fees from riders, contract users, contributions from governmental entities and other. The Authority currently receives a voter approved tax levy. The County does levy a tax for the Authority; however, the county does not hold title to any of the Authority's assets, nor does it have rights to any surpluses or responsibility to finance any deficits of the Authority.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Jointly Governed Organizations

Branch County, in conjunction with five (5) other Counties, has entered into an agreement that created the Southcentral Michigan Planning Commission. This organization's Board is composed of 12 members, of which one (1) is appointed by Branch County. The County's financial responsibility is to contribute a pro rata share of "local match" funds based on the proportion of State equalized valuation. For the year ended December 31, 2007, the County's contribution to the Commission was \$0.

Branch County, in conjunction with two (2) other Counties, has entered into a Joint Workforce Development Agreement for purposes of detailing and designating functions and responsibilities related to administration of job training and workforce development programs. Another agreement was also entered into to establish the Chief Elected Officials Board (CEOB), for which Branch County appoints two (2) of the seven (7) members, and also the Workforce Development Board (WDB), who are appointed by the CEOB.

These agreements also designate the Calhoun County Intermediate School District as "grant recipient" and "administrative entity" for operation of these programs. The District receives all related funding from State and Federal grants and, as a result, the County has no financial responsibility. The District is also fully responsible and indemnifies the County from potential liability for disallowed costs.

7. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the County's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the County are:

- a. The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Revenue Sharing Reserve Fund was established in 2004 to account for the shift of State Revenue Sharing dollars from State to local funding.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

- c. The Commission on Aging Fund accounts for the money used for planning and coordinating services for senior citizens.
- d. The Emergency Services Fund is used to account for expenditures incurred related to emergency services that are financed primarily through property taxes, state and federal grants, and user charges.
- e. The Jail Millage Fund is used to account for financial resources generated through a tax levy for the purpose of operating, renovating, equipping and furnishing the jail and law enforcement facility.
- f. The Medical Care Facility Fund is used to report activities related to providing long-term care services to County residents. These activities are financed primarily by user charges (Medicaid, Medicare, private, etc.).
- g. The Delinquent Tax Revolving Fund accounts for money advanced by the County to other local taxing units and various county funds to pay for their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties, and interest.

8. Measurement Focus

The government-wide, proprietary, and the pension fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for agency fiduciary funds since assets equal liabilities.

9. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Basis of Accounting - continued

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

10. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in certificates of deposit, money markets, and investment trust funds with an original maturity of 90 days or less. The investment trust funds have the general characteristics of demand deposit accounts in that the County may deposit and withdraw additional cash at any time without prior notice or penalty.

11. Investments

Investments are reported at cost, which approximates fair value, except for the Pension securities, which are reported at fair value. Investments consist of Pension Fund securities, certificates of deposit, municipal bonds, commercial paper, and U.S. Government Securities with an original maturity of over 90 days.

12. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and accounts receivable related to charges for services.

13. Inventories

The cost of inventory items in the primary government governmental funds is recorded as an expenditure at the time of purchase.

Inventories in the Plat Books (Special Revenue) Fund consist of plat books, Revolving Drain Equipment (Internal Service) Fund consist of materials and drain tiles, and Regular Drain (Component Unit Capital Project) Fund consists of materials and culvert. These items are valued at cost on a first-in/first-out basis.

Inventory in the Road Commission (component unit) consists of various operating parts, supplies, and road material, and the cost is recognized using the consumption method (inventories recorded as expenditures when they are used). Inventories are stated at average cost determined on a first-in, first-out method, except for road materials, which are determined on the average cost method, and are not in excess of fair value.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Restricted Assets

Certain revenues and resources in the proprietary fund types are classified as restricted assets on the balance sheet because their use is limited. The restricted assets of the County reported in the Medical Care Facility Fund represent accumulated funds required to be used for capital acquisitions by action of the Department of Human Services Board, and patient trust deposits. The Community Health Center (component unit) holds restricted investments that were restricted by the donor for specific purposes.

15. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS - DRAINAGE DISTRICTS AND BOARD OF PUBLIC WORKS

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	5 - 50 years
Equipment and furniture	3 - 20 years
Vehicles	3 - 5 years
Drain infrastructure	40 years
Sewer systems	40 - 50 years

ROAD COMMISSION - COMPONENT UNIT

Capital assets, which include property, equipment and infrastructure assets (roads, bridges and similar items), are reported in the government-wide financial statements (statement of net assets and statement of changes in net assets). Capital assets are defined by the Branch County Road Commission as assets with an initial individual cost of more than \$1,000 and with an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements and are subsequently capitalized on the government-wide statements.

The Uniform Accounting Procedures prescribed for Michigan County Road Commissions provide for recording depreciation in the General Operating Fund as a charge to various expense accounts and a credit to the depreciation contra expense account. Accordingly, the annual depreciation expense does not affect the available operating fund balance of the General Operating Fund.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**15. Capital Assets - continued****ROAD COMMISSION - COMPONENT UNIT - CONTINUED**

Depreciation is recorded over the estimated useful lives (ranging from five to forty years) of the assets, using the sum-of-years digits method for road equipment and straight-line method for all other capital assets and infrastructure as follows:

Buildings and improvements	40 years
Equipment	5 - 10 years
Infrastructure	8 - 50 years

BRANCH-HILLSDALE-ST. JOSEPH COMMUNITY HEALTH AGENCY - COMPONENT UNIT

Capital assets include equipment and land improvements and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$1,000 or more, with estimated useful lives of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	7 years
Equipment	4 - 10 years

The Agency has no assets that would be classified as infrastructure assets.

COMMUNITY HEALTH CENTER - COMPONENT UNIT

Property and equipment are recorded at cost. Donations of property and equipment are recorded at fair market value at the date of donation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Land and improvements	3 - 25 years
Buildings and improvements	10 - 40 years
Furniture, fixtures, and equipment	6 - 20 years

16. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

17. Advances to Other Governmental Units

Long-term advances from the primary government to component units are made to finance new activities during their initial operations and to finance capital acquisitions. The applicable fund balance is reserved in the fund financial statements for such advances to reflect the amount of fund balance not currently available for expenditure.

18. Accrued Compensated Absences

In accordance with the County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of December 31, 2007, including related payroll taxes, is recorded in the government-wide financial statements.

19. Deferred Revenue

Deferred revenue consists of amounts related to long-term special assessment tax receivables recorded at the fund level that are not available to finance current period expenditures and are therefore deferred.

20. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

21. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the Fund financial statements. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The County employs the following procedures in establishing budgets:

- a. Prior to August 1, the County Finance Committee prepares and submits their proposed operating budgets for the calendar year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is held to obtain taxpayers' comments.
- c. Prior to December 31, the budgets are legally enacted through passage of an annual budget resolution.
- d. The budgets are legally adopted at the activity level for the General Fund and the fund level for the Special Revenue funds. Budgetary transfers between funds, amendments to total fund budgets or salary, fringe benefits, contracts, and capital outlay lines and transfers of greater than \$10,000 are not permitted without Board approval. For control purposes, all funds' budgets are maintained at the activity and account level.
- e. Budgets for certain Capital Projects Funds are made on a project basis spanning more than one year.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

21. Budgets and Budgetary Accounting - continued

- f. The County does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.
- g. Budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations that were adopted.

22. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

23. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The County utilizes various pooled cash accounts and investments for approximately forty (40) funds. The County's pooled cash and investments consist of a common checking account, money markets, savings, certificates of deposit, commercial paper, banker's acceptances, and investment trust funds.

The County's pooled cash and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds (except for the Delinquent Tax Revolving Funds), Internal Service Fund, Trust and Agency Funds, and Component Unit Funds. Each fund's portion of these pooled accounts is included in the cash, cash equivalents, and investments captions on the combined balance sheet and statement of net assets.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit and investment trust funds are separately held by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.

Branch County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the federal loan mortgage corporation, federal national mortgage association, or government national mortgage association.

Deposits

As of December 31, 2007, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$(639,292)	\$ 165,927
Certificates of deposit	<u>4,624,867</u>	<u>4,624,867</u>
TOTAL PRIMARY GOVERNMENT	3,985,575	4,790,794
COMPONENT UNITS		
Checking and savings	9,494,704	9,437,149
Certificates of deposit	<u>121,278</u>	<u>121,278</u>
TOTAL COMPONENT UNITS	9,615,982	9,558,427
FIDUCIARY FUNDS		
Checking	<u>1,125,560</u>	<u>1,136,894</u>
TOTAL REPORTING ENTITY	<u>\$14,727,117</u>	<u>\$15,486,115</u>

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of December 31, 2007, the primary government and component unit accounts were insured by the FDIC or FSLIC for \$300,003 and the amount of \$15,186,112 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

As of December 31, 2007, the market values, which are the carrying values for each investment, are as follows:

Investments

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>	<u>Standard & Poor's Rating</u>	<u>Weighted Average Maturity</u>
PRIMARY GOVERNMENT					
Federal Home Loan Bank	\$ 1,007,500	\$ 1,007,500	7.39 %	AAA	45 days
Federal National Mortgage Association	100,000	100,000	0.73	AAA	181 days
Federal Home Loan Mortgage Corporation	610,000	610,000	4.48	AAA	69 days
Federal Farm Credit Banks	100,000	100,000	0.73	AAA	62 days
MBIA - MI Class	4,325,213	4,325,213	31.74	Not Rated	53 days
Kent County municipal bonds	2,250,000	2,250,000	16.51	SP-1+	390 days
Uncategorized pooled investment funds	<u>5,236,350</u>	<u>5,236,350</u>	38.42	Not Rated	0.91 days
Total primary government	13,629,063	13,629,063			
COMPONENT UNITS					
Uncategorized pooled investment funds	<u>7,138,975</u>	<u>7,138,975</u>	100	Not rated	0.91 days
TOTAL REPORTING ENTITY	<u>\$ 20,768,038</u>	<u>\$ 20,768,038</u>			

The investments in commercial paper are insured or registered, with securities held by Nat City Investments; Fifth Third Securities, Inc.; Huntington Capital Corporation; Multi-Bank Securities; UBS Financial Services; and Smith-Barney-Division of Citigroup. The maximum insurance for investments with Smith-Barney-Division of Citigroup is provided by the Securities Investor Protection Act \$500,000; UBS Financial Services \$1,000,000; and Securities Investor Protection Corporation \$500,000. The maximum insurance for investments with NatCity Investments, Inc. is provided by the Securities Investor Protection Corporation \$500,000; and First Clearing - Safekeeping in the amount of \$99,500,000. The investments in GNMA's are not insured but are backed by the full faith and credit of the Federal Government. Investments in Municipal Securities other than GNMA are sponsored by agencies of the Federal Government, but are not insured or backed by the full faith and credit of the Federal Government. The maximum insurance for investments with Fifth Third is provided by Fifth Third Investment Services, Inc. in the amount of \$99,500,000; and the Securities Investor Protection Corporation \$500,000. Huntington Capital Corporation and Ridge Clearing and Outsourcing Solutions, Inc. are also protected by the Securities Investor Protection Corporation in the amount of \$500,000.

The County has investments purchased for the County employee's Pension Trust Fund through John Hancock Insurance Company. Michigan Compiled Law, Section 38.1121, authorizes the County to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types. As of December 31, 2007, the market value, which is the carrying amount of the pension trust plans assets, is \$34,748,120. The pension trust fund assets include uninsured and unregistered investments for which the securities are held, by the insurance carrier's trust departments but not in the County's name.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2007, rating information on the County's investments is presented above.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUEDInterest rate risk

The County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio in a manner to attain a market rate of return throughout the budgetary and economic cycles while preserving and protecting capital.

Concentration of credit risk

The County will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio to prevent over concentration of assets in a specific maturity, individual financial institution, or specific class of securities.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet and statement of net assets based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2007:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 5,784,748	\$12,266,442	\$ 1,125,560	\$19,176,750
Cash and cash equivalents - restricted	842,535	-	-	842,535
Investments	9,047,611	3,493,082	34,748,120	47,288,813
Investments - restricted	<u>1,961,954</u>	<u>1,258,107</u>	<u>-</u>	<u>3,220,061</u>
	<u>\$17,636,848</u>	<u>\$17,017,631</u>	<u>\$35,873,680</u>	<u>\$70,528,159</u>

The primary government and component unit cash and cash equivalents captions in the basic financial statements include \$22,210 and \$3,647 in imprest cash, respectively. The Branch-Hillsdale-St. Joseph Community Health Agency portion of pooled cash and cash equivalents presented above are as of December 31, 2007. However, the financial statements of the Branch-Hillsdale-St. Joseph Community Health Agency have been presented as of September 30, 2007, which results in a timing difference of \$259,027 for the component units.

NOTE C: POOLING OF CASH AND INVESTMENTS

The County's balance sheet reflects cash and cash equivalents with negative balances. These amounts do not represent actual bank overdrafts; rather, they merely reflect that specific funds have disbursed amounts from the County's common checking account in excess of the amount recorded as an asset. In total, the bank account has a positive balance.

Cash disbursed in excess of amounts recorded as assets as of December 31, 2007, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
General Fund	\$(4,006,561)	\$ 4,973	\$(4,001,588)
Special Revenue Funds			
Friend of the Court	(144,442)	-	(144,442)
Juvenile Day Care Program	<u>(4,530)</u>	<u>4,357</u>	<u>(173)</u>
Total reporting entity	<u>\$(4,155,533)</u>	<u>\$ 9,330</u>	<u>\$(4,146,203)</u>

Branch County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables related to the primary government at December 31, 2007:

Due to Commission on Aging Fund from:	
Nonmajor governmental funds	\$ <u>5,199</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE E: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable related to the primary government at December 31, 2007:

Advance to internal service funds from:	
General Fund	\$ <u>30,000</u>

The advance to the internal service funds was to finance major vehicle repairs and establish an employee health insurance management fund.

NOTE F: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component units have been eliminated.

Transfer to General Fund from:	
Revenue Sharing Reserve Fund	\$ 903,551
Jail Millage Fund	574,218
Nonmajor governmental funds	9,955
Delinquent Tax Revolving Fund	<u>635,139</u>
	<u>\$ 2,122,863</u>
Transfer to Emergency Services Fund from:	
General Fund	\$ <u>36,840</u>
Transfer to Commission on Aging Fund from:	
Nonmajor governmental funds	\$ <u>63,630</u>
Transfer to nonmajor governmental funds from:	
General Fund	\$ 1,324,062
Nonmajor governmental funds	<u>229,205</u>
	<u>\$ 1,553,267</u>

Branch County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007, was as follows:

Primary Government

	<u>Balance Jan. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2007</u>
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 1,169,126	\$ -	\$ -	\$ 1,169,126
Capital assets being depreciated:				
Land improvements	4,215,019	42,730	-	4,257,749
Buildings and additions	20,015,360	140,395	-	20,155,755
Equipment and furniture	5,847,986	83,003	(47,923)	5,883,066
Vehicles	<u>1,012,389</u>	<u>-</u>	<u>-</u>	<u>1,012,389</u>
Subtotal	31,090,754	266,128	(47,923)	31,308,959
Less accumulated depreciation for:				
Land improvements	(681,180)	(202,809)	-	(883,989)
Buildings and additions	(8,098,988)	(582,875)	-	(8,681,863)
Equipment and furniture	(2,587,755)	(466,675)	6,967	(3,047,463)
Vehicles	<u>(481,218)</u>	<u>(149,771)</u>	<u>-</u>	<u>(630,989)</u>
Subtotal	<u>(11,849,141)</u>	<u>(1,402,130)</u>	<u>6,967</u>	<u>(13,244,304)</u>
Net capital assets being depreciated	<u>19,241,613</u>	<u>(1,136,002)</u>	<u>(40,956)</u>	<u>18,064,655</u>
Capital assets, net	<u>\$ 20,410,739</u>	<u>\$(1,136,002)</u>	<u>\$(40,956)</u>	<u>\$ 19,233,781</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 365,475
Public safety	345,114
Public works	235,121
Health and welfare	216,905
Community and economic development	163,534
Recreation and cultural	<u>75,981</u>
Total depreciation expense	<u>\$ 1,402,130</u>

	<u>Balance Jan. 1, 2007</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance Dec. 31, 2007</u>
Business-type activities				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 146,558	\$ -	\$ 146,558
Capital assets being depreciated:				
Land and improvements	596,776	3,475	-	600,251
Buildings and improvements	7,370,511	57,784	-	7,428,295
Equipment	<u>1,388,978</u>	<u>8,753</u>	<u>(61,259)</u>	<u>1,336,472</u>
Totals at historical cost	9,356,265	70,012	(61,259)	9,365,018

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance Jan. 1, 2007	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2007
Business-type activities - continued				
Less accumulated depreciation for:				
Land and improvements	\$(368,384)	\$(14,781)	\$ -	\$(383,165)
Buildings and improvements	(4,078,133)	(269,560)	-	(4,347,693)
Equipment	(1,002,800)	(60,794)	9,174	(1,054,420)
Total accumulated depreciation	(5,449,317)	(345,135)	9,174	(5,785,278)
Net capital assets being depreciated	3,906,948	(275,123)	(52,085)	3,579,740
Capital assets, net	\$ 3,906,948	\$(128,565)	\$(52,085)	\$ 3,726,298

	Balance Jan. 1, 2007	Additions	Deletions	Balance Dec. 31, 2007
Component Units				
Component Unit - Drainage Districts				
Governmental Activities				
Drains	\$ 3,747,16	\$ 185,764	\$ -	\$ 3,932,931
Equipment	48,182	-	-	48,182
Vehicles	18,449	-	-	18,449
Total capital assets being depreciated	3,813,798	185,764	-0-	3,999,562
Less accumulated depreciation for:				
Drains	(2,176,396)	(171,621)	-	(2,348,017)
Equipment	(17,225)	(3,241)	-	(20,466)
Vehicles	(16,143)	(2,306)	-	(18,449)
Total accumulated depreciation	(2,209,764)	(177,168)	-0-	(2,386,932)
Capital assets, net	\$ 1,604,034	\$ 8,596	\$ -0-	\$ 1,612,630

Component Unit - Board of Public Works

Capital assets not being depreciated				
Land	\$ 1,096,843	\$ -	\$ -	\$ 1,096,843
Capital assets being depreciated				
Buildings	3,832,141	-	-	3,832,141
Equipment	706,069	-	-	706,069
Vehicles	20,684	-	-	20,684
Sewer	10,937,340	-	-	10,937,340
Subtotal	15,496,234	-0-	-0-	15,496,234

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE G: CAPITAL ASSETS - CONTINUED**Component Units - continued**

	Balance Jan. 1, 2007	Additions	Deletions	Balance Dec. 31, 2007
Component Unit - Board of Public Works - continued				
Less accumulated depreciation for:				
Buildings	\$(925,355)	\$(82,252)	\$ -	\$(1,007,607)
Equipment	(494,709)	(20,945)	-	(515,654)
Vehicles	(20,684)	-	-	(20,684)
Sewer	(2,551,885)	(223,165)	-	(2,775,050)
Subtotal	(3,992,633)	(326,362)	-0-	(4,318,995)
Net capital assets being depreciated	11,503,601	(326,362)	-0-	11,177,239
Capital assets, net	<u>\$ 12,600,444</u>	<u>\$(326,362)</u>	<u>\$ -0-</u>	<u>\$ 12,274,082</u>
Component Unit - Road Commission				
Capital assets not being depreciated				
Land and improvements	\$ 49,980	\$ 10,393	\$ -	\$ 60,373
Land Improvements - infrastructure	3,280,785	42,177	-	3,322,962
Total capital assets not being depreciated	3,330,765	52,570	-0-	3,383,335
Capital assets being depreciated				
Depletable assets	626,798	-	-	626,798
Buildings	1,256,708	852,961	-	2,109,669
Equipment				
Road	6,841,145	333,706	(220,283)	6,954,568
Shop	229,660	2,975	-	232,635
Office	101,162	11,814	-	112,976
Engineers	13,659	-	-	13,659
Yard and Storage	819,800	-	-	819,800
Infrastructure	49,380,760	2,871,460	(31,024)	52,221,196
	59,269,692	4,072,916	(251,307)	63,091,301
Accumulated depreciation and depletion				
Depletable assets	(538,438)	(3,100)	-	(541,538)
Buildings	(920,321)	(39,609)	-	(959,930)
Equipment				
Road	(5,523,820)	(519,992)	191,189	(5,852,623)
Shop	(213,856)	(7,702)	-	(221,558)
Office	(80,652)	(9,050)	-	(89,702)
Engineers	(7,320)	(1,590)	-	(8,910)
Yard and Storage	(622,795)	(46,862)	-	(669,657)
Infrastructure	(26,454,205)	(2,120,940)	31,024	(28,544,121)
	(34,361,407)	(2,748,845)	222,213	(36,888,039)
Capital assets being depreciated, net	24,908,285	1,324,071	(29,094)	26,203,262
Total capital assets, net	<u>\$ 28,239,050</u>	<u>\$ 1,376,641</u>	<u>\$(29,094)</u>	<u>\$ 29,586,597</u>

Branch County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE G: CAPITAL ASSETS - CONTINUED

Component Units - continued

	Balance <u>Jan. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2007</u>
Component Unit - Community Health Center				
Capital assets not being depreciated				
Land	\$ 1,369,253	\$ -	\$ -	\$ 1,369,253
Construction in progress	<u>91,455</u>	<u>770,959</u>	<u>(638,337)</u>	<u>224,077</u>
Total capital assets not being depreciated	1,460,708	770,959	(638,337)	1,593,330
Capital assets being depreciated				
Land improvements	1,074,935	-	-	1,074,935
Building improvements	30,573,343	470,717	-	31,044,060
Furniture, fixtures, and equipment	<u>27,669,084</u>	<u>5,969,337</u>	<u>-</u>	<u>33,638,421</u>
	59,317,362	6,440,054	-0-	65,757,416
Less accumulated depreciation	<u>(40,809,019)</u>	<u>(2,785,456)</u>	<u>-</u>	<u>(43,594,475)</u>
Capital assets being depreciated, net	<u>18,508,343</u>	<u>3,654,598</u>	<u>-0-</u>	<u>22,162,941</u>
Total capital assets, net	<u>\$ 19,969,051</u>	<u>\$ 4,425,557</u>	<u>\$ (638,337)</u>	<u>\$ 23,756,271</u>
	Balance <u>Oct. 1, 2006</u>	Additions/ <u>Reclassifications</u>	Deletions/ <u>Reclassifications</u>	Balance <u>Sept. 30, 2007</u>
Component Unit - Branch-Hillsdale-St. Joseph Community Health Agency				
Equipment	\$ 135,142	\$ -	\$ -	\$ 135,142
Land improvements	<u>22,723</u>	<u>-</u>	<u>-</u>	<u>22,723</u>
Totals at historical cost	157,865	-0-	-0-	157,865
Less accumulated depreciation for:				
Equipment	(130,425)	(1,300)	-	(131,725)
Land improvements	<u>(13,273)</u>	<u>-</u>	<u>-</u>	<u>(13,273)</u>
Total accumulated depreciation	<u>(143,698)</u>	<u>(1,300)</u>	<u>-0-</u>	<u>(144,998)</u>
Capital assets, net	<u>\$ 14,167</u>	<u>\$ (1,300)</u>	<u>\$ -0-</u>	<u>\$ 12,867</u>

NOTE H: SHORT-TERM DEBT - COMPONENT UNITS

The short-term debt of the County consists of various drain notes issued for purposes of financing costs in connection with various drainage district construction and maintenance projects.

The drain notes are reported in the Drainage Districts Component Unit Drain Construction (Capital Projects) Fund and are detailed as follows:

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE H: SHORT-TERM DEBT - COMPONENT UNITS - CONTINUED

<u>Drain Note Number</u>	<u>Balance Dec. 31, 2007</u>
#07-16	\$ 5,000
#07-17	2,500
#07-19	<u>4,000</u>
	<u>\$ 11,500</u>

NOTE I: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the County for the year ended December 31, 2007:

	<u>Balance Jan. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2007</u>	<u>Amounts Due Within One Year</u>
PRIMARY GOVERNMENT					
Governmental Activities					
Direct County Obligations	\$ 9,075,000	\$ -	\$(780,000)	\$ 8,295,000	\$ 805,000
Capital leases	52,572	-	(52,572)	-0-	-
Compensated absences	<u>696,477</u>	<u>420,171</u>	<u>(510,332)</u>	<u>606,316</u>	<u>60,632</u>
	9,824,049	420,171	(1,342,904)	8,901,316	865,632
Business-type Activities					
Enterprise Fund					
Medical Care Facility					
Compensated absences	<u>332,104</u>	<u>157,857</u>	<u>(138,071)</u>	<u>351,890</u>	<u>197,611</u>
TOTAL PRIMARY GOVERNMENT	10,156,153	578,028	(1,480,975)	9,253,206	1,063,243
COMPONENT UNIT FUNDS					
Drainage Districts					
Drain notes	375,513	93,000	(120,930)	347,583	139,280
Board of Public Works					
Sanitary sewer bonds	4,630,000	-	(235,000)	4,395,000	275,000
Road Commission					
Installment lease purchase agreements	283,095	-	(175,774)	107,321	74,522
Compensated absences	295,049	8,196	-	303,245	48,000
Community Health Center					
Hospital bonds	4,754,332	-	(403,728)	4,350,604	420,608
Note payable	-	3,800,000	-	3,800,000	-
Capital lease	-	907,690	(182,983)	724,707	169,851
Branch-Hillsdale-St. Joseph Community Health Agency					
Compensated absences	<u>210,757</u>	<u>232,967</u>	<u>(216,392)</u>	<u>227,332</u>	<u>177,319</u>
	10,548,746	5,041,853	(1,334,807)	14,255,792	1,304,580

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE I: LONG-TERM DEBT - CONTINUED

	Balance Jan. 1, 2007	Additions	Deletions	Balance Dec. 31, 2007	Amounts Due Within One Year
COMPONENT UNIT FUNDS - CONTINUED					
Less deferred amounts:					
On refunding	\$(131,515)	\$ -	\$ 8,768	\$(122,747)	\$(8,768)
TOTAL COMPONENT UNITS	10,417,231	5,041,853	(1,326,039)	14,133,045	1,295,812
TOTAL REPORTING ENTITY	\$20,573,384	\$ 5,619,881	\$(2,807,014)	\$23,386,251	\$ 2,359,055

PRIMARY GOVERNMENT

Direct County Obligations - County Building Authority Bonds

The Branch County Board of Commissioners is party to long-term lease agreements for rental of the Hospital, Medical Care Facility, Courthouse, and FIA buildings from the Branch County Building Authority. The lease agreements stipulate that the annual rentals be paid by the County to the Building Authority in amounts sufficient to meet the annual principal and interest on bonds, which shall be pledged exclusively for that purpose. When all debt has been retired for the buildings, the rentals will cease, title to the buildings will be transferred to the County, and any cash balances remaining with the Building Authority will be returned to the County.

Bonds payable at December 31, 2007 are as follows:

\$2,550,000 Branch County Building Authority Bonds (FIA Project) - Series 1998A, dated April 1, 1998, due in annual installments ranging from \$10,000 to \$200,000 through September 1, 2018, with interest of 4.625 percent, payable semi-annually.	\$ 1,535,000
\$4,000,000 Branch County Building Authority Bonds (Hospital) - Series 2001, dated March 1, 2001, due in annual installments ranging from \$250,000 to \$380,000 through September 1, 2016, with interest ranging from 4.375 to 4.5 percent, payable semi-annually.	2,800,000
\$995,000 Branch County Building Authority Bonds (Commission on Aging) - Series 2001 A, dated June 1, 2001, due in annual installments ranging from \$40,000 to \$75,000 through September 1, 2021, with interest ranging from 4.20 to 5.25 percent, payable semi-annually.	790,000
\$2,750,000 Branch County Building Authority Refunding Bonds - Series 2002, dated April 1, 2002, due in annual installments ranging from \$105,000 to \$320,000 through September 1, 2017, with interest ranging from 4.00 to 4.75 percent, payable semi-annually.	1,730,000
\$1,750,000 Branch County Building Authority Bonds (Courthouse) - Series 2002, dated August 1, 2002, due in annual installments ranging from \$70,000 to \$135,000 through September 1, 2022, with interest ranging from 3.20 to 4.75 percent, payable semi-annually.	<u>1,440,000</u>
	<u>\$ 8,295,000</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE I: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$958,206 for vacation and sick, at December 31, 2007. Of this amount, \$351,890 has been accrued as a liability in the Medical Care Facility (Enterprise) Fund Balance Sheet. Of the remaining liability of \$606,316, \$60,632 has been recorded as a current liability and \$545,684 has been recorded as a noncurrent liability.

Advance Refunding - Prior

On April 1, 2002, the County defeased a portion of the 1999 Building Authority Bonds (Human Services) which are due and payable September 1, 2019. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The County issued Building Authority 2002 Refunding Bonds in the amount of \$2,750,000 to fund escrow amounts, pay the cost of issuance of the refunding bonds, and to pay the remaining balances of the 1990-1 Building Authority Bonds (Mental Health Building) and 1994 Building Authority Bonds (K.C.C. Project). Accordingly, the trust account assets and liabilities for the defeased bond are not included in the County's financial statements. At December 31, 2007, bonds due and payable September 1, 2019, for 1999 Building Authority Bonds (Human Services) in the amount of \$1,400,000 are considered defeased.

On April 2, 2001, the County defeased a portion of the 1998A Building Authority Bonds (FIA Project) which are due and payable September 1, 2018. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The County used remaining bond proceeds from the 1998A Building Authority Bonds (FIA Project) in the amount of \$201,879 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At December 31, 2007, bonds due and payable September 1, 2018, for the 1998A Building Authority Bonds (FIA Project) in the amount of \$190,000 are considered defeased.

COMPONENT UNIT - BOARD OF PUBLIC WORKS

Indirect County Obligations - Sanitary Sewer Bonds

The County has irrevocably pledged its full faith and credit as collateral for the following sanitary sewer system bonds. These projects are administered by the Branch County Board of Public Works for local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, along with assessments made against benefiting properties, provide the monies required to meet the principal and interest on the sewer system bonds.

Bonds payable at December 31, 2007, for the Sanitary Sewer System construction projects are as follows:

\$5,190,000 Branch County Sanitary Sewer System No. 2 Refunding Bonds (Coldwater and Long Lake Extensions), Series 2004, dated February 1, 2004, due in annual installments ranging from \$205,000 to \$315,000 through May 1, 2022, with interest of 2.75 to 4.75 percent, payable semi-annually.

\$ 4,395,000

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1: LONG-TERM DEBT - CONTINUED**COMPONENT UNIT - BOARD OF PUBLIC WORKS - CONTINUED**Advance Refunding - Prior

On November 15, 1999, the County defeased \$610,000 of the outstanding Sanitary Sewer Disposal System No. 2 bonds, dated August 1, 1996, maturing May 1, 2007, through May 1, 2016, by establishing an irrevocable trust with U.S. Government Securities sufficient to meet the annual installment principal obligations of \$610,000, and associated semi-annual interest payments. The funds used to fund these escrow amounts were from excess bond proceeds remaining after completion of the related construction project. Accordingly, the trust account assets and liabilities for the defeased portion of the bond issue are not included in the County's financial statements. At December 31, 2007, bonds due and payable May 1, 2008, through May 1, 2016, in the amount of \$515,000 are considered defeased.

COMPONENT UNIT - DRAINAGE DISTRICTSDrain Notes

The County has irrevocably pledged its full faith and credit as collateral for the following drain loans and notes. These projects are administered by the Branch County Drain Commission for various local drainage districts. The drain loans and notes were issued to finance the various Construction Funds for the purpose of paying costs in connection with various drainage district projects and are payable out of assessments to be made against the benefited properties.

Loan and notes payable at December 31, 2007, per respective Drain projects serviced from the Component Unit Funds are as follows:

Various drain notes due in various annual installments and interest rates through 2011.	<u>\$ 347,583</u>
---	-------------------

COMPONENT UNIT - ROAD COMMISSIONLease Purchase Agreements

The Road Commission entered into four purchase agreements for certain equipment secured by the related equipment. Payment terms are as follows:

	<u>Annual Payments</u>	<u>Interest Rates</u>	<u>Final Payment</u>
2007 - 3 Trucks	\$33,435 to \$78,976	3.8%	7/09

Accrued Sick and Vacation

At hire, employees start earning vacation to be used after the orientation period. Accruals differ with each contract, but the maximum accrual is 240 hours. Vacation time accrues on a continual basis, however, no further vacation time is credited until the employees accrual is below the maximum 240 hours.

Sick leave is earned at the rate of 12 days per year, with a maximum of 480 hours. The maximum sick leave accrual for the Sheriff department is 800 hours.

Personal days are awarded at 2 days per year. Personal days unused at the end of the calendar year are lost. In most cases, one additional day or personal may be deducted from available sick time.

All unused vacation time and 50% of sick time is payable in full when employment ceases. Personal time is not payable when employment ceases.

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE I: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - COMMUNITY HEALTH CENTER

Bonds payable at December 31, 2007, are as follows:

Hospital Revenue Bonds, Series 2001, issued through the Branch County Building Authority, bearing interest ranging from 4.375 to 4.500 percent. Annual principal payments range from \$250,000 in 2008 to \$380,000 in 2016. Collateralized by a lease agreement on the building and surrounding land with the Authority and the County of Branch. In turn, the County subleases the building and land to the Hospital under the same terms. The Hospital makes payment directly to the Authority. Hospital Revenue Bonds, Series 2005, issued in the amount of \$1,900,000, bear interest at LIBOR plus 2.25%, and are payable in monthly installments through November 1, 2015. Secured by net revenue and accounts receivable and the assets restricted under the bond indenture agreement. The indenture agreement requires the Hospital to comply with certain restrictive covenants including minimum insurance coverage, maintaining a historical debt-service coverage ratio of at least 1.25 to 1.00, maintaining a ratio of funded debt plus net assets of no more than .50 and maintaining minimum days of cash on hand of 75 days.

\$ 4,350,604

Notes payable on December 31, 2007, are as follows:

Note payable to bank originally issued in January 2007, with an original amount of \$3,800,000, bears interest at 4.75 percent. The note is payable in equal monthly installments through November, 2011, with a balloon payment in December, 2011, and is collateralized by information systems equipment assets that were acquired with the proceeds.

\$ 3,800,000

Capital lease obligations on December 31, 2007, are as follows:

In 2007, the Hospital entered into an obligation under a lease for radiology equipment that is accounted for as a capital lease. The asset under capital leases at December 31, 2007, was \$907,690, net of accumulated depreciation of \$181,538. The following is a schedule by year of future minimum lease payments under the capital lease including interest at rates of 5.80 percent together with the present value of the future minimum lease payments as of December 31, 2007:

2008	\$ 208,769
2009	208,769
2010	208,769
2011	<u>185,625</u>
Total minimum lease payments	811,932
Less: amount representing interest	<u>(87,225)</u>
Present value of future minimum lease payments	<u>\$ 724,707</u>

COMPONENT UNIT - BRANCH-HILLSDALE-ST. JOSEPH COMMUNITY HEALTH AGENCY

Employees of the Branch-Hillsdale-St. Joseph Community Health Agency are granted vacation and personal leave in varying amounts based on length of service. Upon termination of employment, employees are paid accumulated vacation at full current rate of pay to a maximum of 360 hours, and accumulated personal leave at full current rate of pay of hours accumulated up to a maximum of 30 hours.

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE I: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - BRANCH-HILLSDALE-ST. JOSEPH COMMUNITY HEALTH AGENCY - CONTINUED

Accumulated vacation leave and personal pay represent a liability to the Agency, which is presented in a current and long term portion of the liability. For this reason, the total liability is reported in the government-wide financial statements represent a current liability of \$177,319 and noncurrent liability of \$50,013. Payments to employees for vacation leave and personal pay are recorded as expenditures when they are used and payments are actually made to the employees.

The annual requirements to pay the debt principal and interest outstanding for the following Bonds, Notes, and Leases are as follows:

Year Ending December 31,	Primary Government Direct County Obligations	
	Principal	Interest
2008	\$ 805,000	\$ 370,880
2009	825,000	336,841
2010	695,000	303,088
2011	680,000	275,319
2012	730,000	241,763
2013-2017	3,665,000	695,956
2018-2022	895,000	125,269
	<u>\$ 8,295,000</u>	<u>\$ 2,349,116</u>

Year Ending December 31,	Component Units							
	Drainage Districts Drain Notes		Board of Public Works Sanitary Sewer Bonds		Road Commission Installment Leases		Community Health Center Bonds and Notes	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 139,280	\$ 14,546	\$ 275,000	\$ 157,081	\$ 74,522	\$ 4,456	\$ 420,608	\$ 404,250
2009	101,203	9,665	300,000	148,800	35,799	636	623,377	377,742
2010	58,100	7,409	290,000	139,950	-	-	654,892	345,201
2011	46,500	8,258	315,000	130,284	-	-	3,921,473	298,111
2012	2,500	108	310,000	119,738	-	-	513,032	125,941
2013-2017	-	-	1,500,000	438,316	-	-	2,017,222	228,346
2018-2022	-	-	1,405,000	143,750	-	-	-	-
	<u>\$ 347,583</u>	<u>\$ 39,986</u>	<u>\$ 4,395,000</u>	<u>\$ 1,277,919</u>	<u>\$ 107,321</u>	<u>\$ 5,092</u>	<u>\$ 8,150,604</u>	<u>\$ 1,779,591</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE J: EMPLOYEE RETIREMENT SYSTEM**RETIREMENT SYSTEM - COUNTY GENERAL, ROAD COMMISSION, AND COMMUNITY HEALTH CENTER PLAN DESCRIPTION**

Branch County (primary government) and its component units (County Road Commission and the Community Health Center) contribute to the Branch County Pension Plan, which is a defined benefit, cost sharing, multiple employer retirement system covering substantially all of its employees. The plan is administered by Branch County, with investments purchased through John Hancock Insurance Company. To be eligible for the plan, an employee must be a regular full-time employee, have completed six (6) months of service, and make employee contributions. The County's contributions for the years ended December 31, 2006, 2005, and 2004 were based on the payroll for employees covered by the system as of December 31, 2005, 2004, and 2003. The covered payroll for 2006 was \$1,700,783; \$11,301,353; and \$6,224,540 for the County Road Commission, Community Health Center, and all other County employee groups, respectively. The covered payroll for 2005 was \$1,870,114; \$10,408,634; and \$6,065,916 for the County Road Commission, Community Health Center, and all other County employee groups, respectively. The covered payroll for 2004 was \$1,784,433; \$9,052,180; and \$6,269,282 for the County Road Commission, Community Health Center, and all other County employee groups, respectively. The total payroll for 2006 was \$1,855,997; \$23,492,556; and \$11,784,122 for the County Road Commission, Community Health Center, and all other County employee groups, respectively. The total payroll for 2005 was \$2,052,846; \$21,879,675; and \$11,447,519 for the County Road Commission, Community Health Center, and all other County employee groups. The total payroll for 2004 was \$2,054,785; \$23,455,829; and \$11,255,980 for the County Road Commission, Community Health Center, and all other County employee groups, respectively. The plan provides retirement benefits, as well as death and disability benefits in accordance with benefit provisions as adopted by the Branch County Board of Commissioners. Retirement benefits are based on service and compensation and vested after five (5) years of service. At December 31, 2006, membership consisted of 324 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 472 current active employees.

The obligation to contribute to and maintain the system for covered employees was established in the Branch County Pension Plan, as amended January 1, 1989, and requires a contribution from the employees of three (3) percent of the first \$4,800 of gross wages, plus five (5) percent of the remaining amount. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings. The actual employee contributions for the year ended December 31, 2006, were \$81,572; \$505,518; and \$314,708, these contributions representing 4.8, 4.5, and 5.1 percent of covered payroll for the County Road Commission, Community Health Center, and all other County employee groups, respectively.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (a/b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
12/31/04	\$ 34,157,573	\$ 47,298,233	\$(13,140,660)	72.22 %	\$ 17,105,895	77 %
12/31/05	36,941,111	50,410,405	(13,469,294)	73.28 %	18,344,664	73 %
12/31/06	39,812,098	53,687,506	(13,875,408)	74.16 %	19,226,676	72 %

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,	Annual Required Contribution	Percentage Contributed	Net Pension (Obligation)/Benefit
2004	\$ 1,047,053	103.4 %	\$ 64,670
2005	1,040,572	94.7 %	(18,756)
2006	1,068,241	98.4 %	12,525

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE J: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

RETIREMENT SYSTEM - COUNTY GENERAL, ROAD COMMISSION, AND COMMUNITY HEALTH CENTER PLAN DESCRIPTION - CONTINUED

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2006, the latest actuarial valuation, follows:

Actuarial cost method	Aggregate cost method
Amortization method	Level percent, closed
Remaining amortization period	*
Asset valuation method	*
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases attributable to inflation	4.5%
Cost of living adjustments	None

* Information not provided in actuarial valuation report

NOTE: The Aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities.

COMPONENT UNIT - BRANCH-HILLSDALE-ST. JOSEPH COMMUNITY HEALTH AGENCY

Plan Description

The Agency participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the Agency. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Board of Public Health. The plan requires a contribution from the employees of three (3) percent of wages depending on the employee group covered. The Agency is required to contribute the remaining amounts necessary to fund the system.

Annual Pension Cost

For the year ended September 30, 2007, the Agency's annual pension cost of \$215,856 for the plan was equal to the Agency's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an - percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation and (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five (5) year period.

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE J: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

COMPONENT UNIT - BRANCH-HILLSDALE-ST. JOSEPH COMMUNITY HEALTH AGENCY - CONTINUED

Three (3) year trend information

	Year Ended December 31,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial value of assets	\$ 8,162,790	\$ 8,662,574	\$ 9,318,862
Actuarial accrued liability (AAL) (entry age)	8,234,660	8,648,591	9,242,746
Unfunded (overfunded) AAL	(71,870)	(13,983)	(76,116)
Funded ratio	99 %	100 %	101 %
Covered payroll	2,552,172	2,421,635	2,693,320
UAAL as a percentage of covered payroll	3 %	0 %	0 %

	Year Ended September 30,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension cost	\$ 157,596	\$ 187,606	\$ 215,856
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

NOTE K: CONTINGENT LIABILITIES

PRIMARY GOVERNMENT

The County participates in a number of Federal and State assisted grant programs that are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the State programs have not yet been completed or final resolution has not been received. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

A substantial portion of the Medical Care Facility's total patient revenues are for services provided to Medicare, Medicaid, and Blue Cross/Blue Shield of Michigan patients. Payments for these services are based upon allowable costs incurred and are subject to final audit by the intermediaries.

COMPONENT UNIT - COMMUNITY HEALTH CENTER

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Approximately 29% of the Hospital's workforce is covered by collective bargaining agreements. The Hospital could encounter difficulties in obtaining qualified employees in the future if these agreements are not renewed.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE L: ROAD COMMISSION FEDERAL GRANTS

Governmental and certain other entities which expend \$500,000 or more of direct federal dollars are subject to a single audit in accordance with the OMB Circular A-133. The Road Commission expended \$584,864 of federal/state dollars which were passed through and administered by the Michigan Department of Transportation. The passed through monies will be included in the State of Michigan's single audit.

NOTE M: RISK MANAGEMENT

PRIMARY GOVERNMENT

The County is a voluntary member of the Michigan Municipal Risk Management Authority which is organized under Public Act 138 of 1982, as amended as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately. The Authority administers a risk management fund providing Branch County with loss protection for general and auto liability, motor vehicle physical damage, and property. Membership of the Authority at December 31, 2007, was comprised of more than 280 units of government.

The administration of the Authority is directed by a nine (9) member Board of Directors composed of municipal representatives from the membership elected by the membership. The Board establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered with the authority to impose sanctions or terminate membership. The County, by resolution of the County Board of Commissioners, has designated a representative to the Authority to be responsible for the execution of all loss control measures, to ensure the payment of all annual and supplementary or other payment requirements, to ensure the filing of all required reports, and to act as a liaison between the County and the Authority.

The Authority provides risk management, underwriting, reinsurance, and claim services with member contributions allocated to meet these obligations. The Authority administers a risk management fund providing Branch County with loss protection for general and auto liability, motor vehicle physical damage, and property damage. Under most circumstances the County's maximum loss per occurrence is limited as follows:

<u>Maximum Retention</u> <u>Type of Risk</u>	<u>Per Occurrence</u>
General and auto liability	\$ 75,000
Motor vehicle physical damage	15,000
Property coverage	1,000

The Authority has established a Retained Risk Program to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that losses are incurred in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess. The Authority may authorize dividends to individual members in the event that the members and individual fund balance is determined to be sufficient to do so.

Liability insurance claims are expenses as incurred. The liability is determined by the Michigan Municipal Risk Management Authority management based on an actuarial study performed using historical data and available insurance industry statistics. The liability includes a reserve for reported claims, and reported legal expenses as well as incurred but not reported claims.

The Authority has reserved fund balance to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that Branch County incurs a loss in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE M: RISK MANAGEMENT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

In addition, the Authority has accumulated resources to create and fund an internal Stop Loss Fund. The Stop Loss Fund was initiated to eliminate the need to purchase aggregate reinsurance for aggregate losses paid in excess of \$208,000, net of reinsurance recoveries for any one member in any one year. Aggregate paid losses in excess of \$208,000 net of reinsurance recoveries are paid entirely from the Internal Stop Loss Fund. If at any time the Stop Loss Fund is insufficient to fund Branch County's losses, the remaining liability shall become the responsibility of the Authority as a whole.

At December 31, 2007, the County had funds on deposit of \$85,017 with the Authority and reserves for reported claims of \$0.

The Maple Lawn Medical Facility carries commercial insurance for the risk of loss due to liability claims.

The County and the Maple Lawn Medical Care Facility also participate in a pool, the Michigan Counties Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The County has not been informed of any special assessments being required.

COMPONENT UNIT - ROAD COMMISSION

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for property, fleet, umbrella, errors and omissions, and dishonesty bond. The Road Commission participates in the Michigan County Road Commission Self-Insurance Pool for workers' compensation insurance. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

COMPONENT UNIT - BRANCH-HILLSDALE-ST. JOSEPH COMMUNITY HEALTH AGENCY

The Agency carries commercial insurance for the risk of loss due to workers' compensation claims.

The Agency also participates in a pool, the Michigan Municipal Risk Management Authority, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Agency has not been informed of any special assessments being required.

COMPONENT UNIT - COMMUNITY HEALTH CENTER

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchase for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Branch County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE M: RISK MANAGEMENT - CONTINUED

COMPONENT UNIT - COMMUNITY HEALTH CENTER - CONTINUED

Medical and Dental

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual individual amount of \$125,000. Commercial stop-loss insurance coverage is purchased for claims in excess of the individual annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

Activity in the Hospital's accrued employee health claims liability during 2007 and 2006 is summarized as follows:

	<u>2007</u>	<u>2006</u>
Estimated liability - beginning of year	\$ 270,697	\$ 252,754
Claims incurred, including changes in estimates for claims incurred in prior years	5,256,191	4,924,734
Claims and expenses paid	<u>(5,100,697)</u>	<u>(4,906,791)</u>
Estimated liability - end of year	<u>\$ 426,191</u>	<u>\$ 270,697</u>

Malpractice

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis, under which the Hospital is responsible for the first \$100,000 per occurrence and \$200,000 in the aggregate of medical malpractice risk. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based on the Hospital's claims experience, an accrual has been made as summarized below:

	<u>2007</u>	<u>2006</u>
Balance - beginning of year	\$ 215,989	\$ 183,014
Claims incurred, including changes in estimates for claims incurred in prior years	95,207	155,548
Claims and expenses paid	<u>(66,156)</u>	<u>(122,573)</u>
Balance - end of year	<u>\$ 245,040</u>	<u>\$ 215,989</u>

It is reasonably possible that this estimate could change materially in the near term.

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE N: PROPERTY TAXES AND TAXES RECEIVABLE

The County property tax is levied each December 1 and July 1 on the taxable valuation of property located in the County as of the preceding December 31.

Beginning with the 2004 tax levy the State mandated the creation of a Revenue Sharing Reserve fund into which one-third of the County's 2004 to 2006 ad valorem operating tax was recognized. The purpose of the fund was to accumulate reserves of the County's own local funds from which an amount similar to Revenue Sharing payments, formerly made by the State, will be made back to the General Fund. As part of this process, the County's tax levy was shifted over the three year period from winter to summer.

The County's Winter 2006 and Summer 2007 ad valorem taxes were levied and collectible on December 1, 2006, and July 1, 2007, respectively. It is the County's policy to recognize revenues from the tax levy in the year when the proceeds of the levy are budgeted and made available for the financing of County operations. As a result, the County's Winter 2006 and Summer 2007 tax levies have been recognized as revenue in the current fiscal year.

The 2007 taxable value of Branch County amounted to \$1,248,291,632 on which ad valorem taxes levied consisted of 4.7562 mills for general operations, 0.7333 mills for Commission on Aging, 0.7500 mills for Emergency 911 services, 0.4852 mills for the Jail, and 0.1000 mills for Veteran's relief.

The property taxes levied at December 1 are accrued as current taxes receivable with the appropriate deferral and are budgeted as revenue in the subsequent year in the Jail Millage, Emergency Services, Commission on Aging, and Soldiers and Sailors (Special Revenue) Funds. The property taxes levied at July 1 are budgeted as revenue in the year of the levy in the General Fund. Taxes are collected by the various tax collecting units from the date of the levy to December 31, and remitted to the County through the Trust and Agency Fund for distribution to the General and Special Revenue Funds. These amounts have been reported as undistributed collections in the Trust and Agency Fund.

Taxes receivable recorded in the respective funds at December 31, 2007, are as follows:

Taxes Receivable	Special Revenue					Enterprise Delinquent Tax Revolving Fund	Total
	General	Soldiers & Sailors	Jail Millage	Emergency Services	Commission on Aging		
Current	\$ 621,133	\$ 124,829	\$ 605,671	\$ 936,219	\$ 915,372	\$ -	\$ 3,203,224
Delinquent	-	-	-	-	-	1,487,634	1,487,634
	<u>\$ 621,133</u>	<u>\$ 124,829</u>	<u>\$ 605,671</u>	<u>\$ 936,219</u>	<u>\$ 915,372</u>	<u>\$ 1,487,634</u>	<u>\$ 4,690,858</u>

The delinquent portion of the taxes receivable represents unpaid real property taxes in the Delinquent Tax Revolving Fund.

By agreement with the various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1 (or September 14 for the summer levy of Villages), and records a corresponding delinquent taxes receivable. Real property taxes not ultimately collected are charged back to the General, Special Revenue, and Debt Service Funds and all other taxing authorities affected. Past experience has indicated that such chargebacks should not be material and, as a result, there has been no establishment of an amount for uncollectible taxes receivable in any of the funds. This activity is accounted for in the Delinquent Tax Revolving Fund.

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE O: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund equity indicates that portion of fund balance or net assets which the County has set aside for specific purposes. These reserves and designations are recorded at the fund level to indicate management plans for these funds.

The following are the various fund balance reserves as of December 31, 2007:

PRIMARY GOVERNMENT

General Fund

Reserved for

Veterans

\$ 260

Remonumentation

16,535

SCAAP Grant

12,728

Advances

174,000

203,523

Special Revenue Funds

Plat Book Fund

Reserved for inventories

370

Clock Tower Fund

Reserved for clock tower expenditures

5,710

TOTAL PRIMARY GOVERNMENT

209,603

COMPONENT UNITS

Drainage Districts

Capital Projects Funds

Regular Drain

Reserved for inventories

27,153

Debt Service Funds

Regular Drain

Reserved for debt service

317,983

Lake Level

Reserved for debt service

30,000

375,136

Board of Public Works

Debt Service Funds

Coldwater/Long Lake Sewer Supplemental

Reserved for debt service

169,578

Sewer #2 Refunding

Reserved for debt service

408,474

578,052

TOTAL COMPONENT UNITS

953,188

TOTAL REPORTING ENTITY

\$ 1,162,791

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE O: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED

The following are the various fund equity designations as of December 31, 2007:

PRIMARY GOVERNMENT	
Special Revenue Funds	
Commission on Aging Facility	
Designated for debt service	<u>\$ 320,000</u>
COMPONENT UNITS	
Drainage Districts	
Capital Projects Funds	
Regular Drain	
Designated for capital expenditures	\$ 456,276
Lake Level	
Designated for capital expenditures	134,105
Hodunk/Messger Lake	
Designated for capital expenditures	<u>82,919</u>
	673,300
Board of Public Works	
Special Revenue Funds	
Water and Sewer	
Designated for capital expenditures	21,360
Capital Projects Funds	
Lake Maintenance	
Designated for capital expenditures	<u>182,699</u>
	<u>204,059</u>
TOTAL COMPONENT UNITS	<u>\$ 877,359</u>

NOTE P: RESTRICTED NET ASSETS

Restrictions of net assets shown in the government-wide and fiduciary financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2007:

PRIMARY GOVERNMENT	
Governmental Activities	
Public Safety	
Jail millage	<u>\$ 85,891</u>
Other Purposes	
Tax administration	\$ 112,663
Commission on Aging	200,056
Commission on Aging facility	351,039
Revenue Sharing Reserve	<u>2,500,699</u>
	<u>\$ 3,164,457</u>

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE P: RESTRICTED NET ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Business-type Activities	
Restricted for other purposes	
Delinquent Tax Revolving Fund	
Restricted for tax administration	\$ 65,250
Medical Care Facility	
Restricted for memorials	<u>28,258</u>
	<u>\$ 93,508</u>

COMPONENT UNITS

Community Health Center	
Restricted for specific purposes	<u>\$ 1,588,965</u>
Drainage Districts	
Restricted for debt service	<u>\$ 324,131</u>

NOTE Q: CONTRACTUAL COMMITMENTS

The Maple Lawn Medical Care Facility has entered into various contracts related to capital improvement projects that were not completed at December 31, 2007. The total contractual commitments outstanding at December 31, 2007, totaled \$2,440,291. The commitments are expected to be paid utilizing existing fund equity.

NOTE R: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the required supplementary information to the financial statements, the County's budgeted expenditures in the General Fund and major Special Revenue Fund have been shown at the functional classification level. The approved budgets of the County have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended December 31, 2007, the County incurred expenditures in the General Fund, Revenue Sharing Reserve Fund, and Commission on Aging Fund in excess of the amounts appropriated as follows:

	<u>Amounts</u> <u>Appropriated</u>	<u>Amounts</u> <u>Expended</u>	<u>Variance</u>
General Fund			
General Government			
County administrator	\$ 147,958	\$ 148,597	\$ 639
Probate court	707,475	707,753	278
Clerk	332,045	332,289	244
Payroll/accounts payable	112,827	117,790	4,963
Treasurer	257,723	259,237	1,514
Cooperative extension	162,848	164,182	1,334
Drain Commission	128,195	128,207	12
Revenue Sharing Reserve Fund	-0-	750	750
Commission on Aging Fund	890,881	915,354	24,473

REQUIRED SUPPLEMENTARY INFORMATION

Branch County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES

Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current and delinquent property taxes	\$ 5,769,467	\$ 5,762,979	\$ 5,980,918	\$ 217,939
Industrial and commercial facilities tax	92,000	116,715	116,714	(1)
Payments in lieu of taxes	4,500	11,219	11,218	(1)
Mobile home park taxes	4,000	3,555	3,555	-0-
Interest and penalties	-	2,454	2,449	(5)
Real estate transfer tax	165,000	136,275	136,274	(1)
Total taxes	6,034,967	6,033,197	6,251,128	217,931
Licenses and permits				
Dog licenses	90,000	82,989	82,989	-0-
Soil erosion permits	7,700	7,790	7,129	(661)
Marriage license fees	1,900	1,553	1,553	-0-
Gun permits	3,000	1,820	1,820	-0-
Transient merchant licenses	50	25	25	-0-
Total licenses and permits	102,650	94,177	93,516	(661)
Intergovernmental - Federal/State				
Cooperative reimbursement - Prosecutor	78,500	78,500	75,234	(3,266)
Probate Judge's salary	94,195	102,290	102,290	-0-
Judicial salary standardization	137,172	137,172	137,172	-0-
Juvenile Director's salary	28,511	27,411	27,317	(94)
Court equity	285,000	285,000	283,790	(1,210)
Traffic safety program	99,351	103,418	102,015	(1,403)
Marine safety program	25,900	27,508	57,773	30,265
District Court case flow assistance	12,000	18,267	17,718	(549)
State remonumentation	66,952	66,952	66,952	-0-
Convention and tourism tax	136,963	136,963	-	(136,963)
Cigarette tax	25,569	22,097	22,097	-0-
Liquor license fees	9,200	9,200	9,118	(82)
State election reimbursement	16,150	20,318	20,304	(14)
Total intergovernmental - Federal/State	1,015,463	1,035,096	921,780	(113,316)

Branch County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES - CONTINUED				
Charges for services				
District Court costs	\$ 804,000	\$ 747,468	\$ 745,110	\$ (2,358)
District Court services	331,540	329,323	325,418	(3,905)
Circuit Court costs	55,000	55,323	59,864	4,541
Circuit Court services	27,850	22,330	22,329	(1)
Probate Court services	34,000	35,927	35,650	(277)
Prosecuting Attorney services	11,600	15,350	15,103	(247)
County Treasurer services	15,890	16,337	15,709	(628)
County Clerk services	91,700	98,777	98,655	(122)
Register of Deeds services	228,850	195,977	196,291	314
General services	80,600	87,594	89,568	1,974
Sheriff department services	267,211	237,654	237,499	(155)
Sheriff department inspection fees	7,500	5,067	5,066	(1)
Care of prisoners	95,000	81,145	75,911	(5,234)
Animal shelter services	9,000	33,277	33,277	-0-
Equalization services	20,350	23,941	23,931	(10)
Total charges for services	2,080,091	1,985,490	1,979,381	(6,109)
Fines and forfeits				
Ordinance fines and costs	110,150	88,876	88,832	(44)
Bond forfeitures	31,000	33,290	32,515	(775)
Total fines and forfeits	141,150	122,166	121,347	(819)
Interest and rents				
Interest on investments	200,300	264,477	262,783	(1,694)
Rental fees	406,325	406,325	406,325	-0-
Total interest and rents	606,625	670,802	669,108	(1,694)

Branch County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES - CONTINUED				
Other				
Sale of scrap	\$ 5,000	\$ 12,646	\$ 12,645	\$ (1)
Insurance recoveries and refunds	100,000	149,816	113,066	(36,750)
Reimbursements and refunds				
General	57,850	153,347	153,388	41
Audit	17,000	19,050	19,050	-0-
Maintenance	44,150	46,256	46,449	193
Friend of the Court - Indirect costs	207,653	135,697	135,697	-0-
Pay phone commissions	50,000	53,637	53,636	(1)
Other	57,400	79,911	80,006	95
Total other	539,053	650,360	613,937	(36,423)
TOTAL REVENUES	10,519,999	10,591,288	10,650,197	58,909
OTHER FINANCING SOURCES				
Transfers from other funds				
Delinquent Tax Revolving	572,890	572,890	635,139	62,249
Tax Administration	9,955	9,955	9,955	-0-
Revenue Sharing Reserve	903,551	903,551	903,551	-0-
Jail Millage	574,218	574,218	574,218	-0-
TOTAL OTHER FINANCING SOURCES	2,060,614	2,060,614	2,122,863	62,249
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 12,580,613	\$ 12,651,902	\$ 12,773,060	\$ 121,158

Branch County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Board of Commissioners	\$ 135,621	\$ 138,634	\$ 130,874	\$ 7,760
Circuit Court	209,649	214,640	213,610	1,030
District Court	1,043,119	1,035,803	1,032,899	2,904
Jury Board	4,629	3,748	3,610	138
State prisoner trials	4,500	5,081	5,080	1
Probate Court	708,837	707,475	707,753	(278)
County administrator	148,246	147,958	148,597	(639)
Elections	44,820	17,793	16,629	1,164
Computer service	152,426	150,432	145,527	4,905
Clerk	343,207	332,045	332,289	(244)
Payroll/accounts payable	114,302	112,827	117,790	(4,963)
Microfilm	14,798	14,100	13,847	253
Equalization	277,026	277,534	275,867	1,667
Prosecuting Attorney	606,543	600,592	599,916	676
Prosecutor - public defender	230,000	234,845	234,845	-0-
Register of Deeds	181,574	177,392	176,274	1,118
County survey and remonumentation	66,952	66,952	66,903	49
Treasurer	277,979	257,723	259,237	(1,514)
Cooperative extension	164,888	162,848	164,182	(1,334)
Building and grounds	546,044	591,578	557,990	33,588
Drain commissioner	128,571	128,195	128,207	(12)
General services	148,687	148,399	146,102	2,297
Total general government	5,552,418	5,526,594	5,478,028	48,566
Public safety				
Sheriff	1,693,319	1,709,078	1,675,170	33,908
Sheriff reserve	5,550	6,435	5,649	786
Sheriff posse	4,466	4,395	4,283	112
Traffic and safety program	138,032	140,557	136,682	3,875
Marine safety	51,149	51,779	50,193	1,586
Jail	2,139,620	2,099,314	2,043,200	56,114
Animal control	149,020	172,887	168,688	4,199
Total public safety	4,181,156	4,184,445	4,083,865	100,580
Public works				
Department of public works	9,208	9,458	8,279	1,179
Drains	38,318	38,318	38,317	1
Roads and Bridges	25,000	25,000	25,000	-0-
Total public works	72,526	72,776	71,596	1,180

Branch County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Health and welfare				
Medical examiner	\$ 52,750	\$ 53,850	\$ 53,809	\$ 41
Veterans counselors	40,642	42,609	42,471	138
Substance abuse	68,482	68,482	-	68,482
Commission on Aging	5,205	5,205	5,205	-0-
Branch-Hillsdale-St. Joseph Community Health Agency	281,877	281,877	281,877	-0-
Pines Behavioral Health Services	180,000	180,000	180,000	-0-
Other	51,049	48,598	40,098	8,500
Total health and welfare	680,005	680,621	603,460	77,161
Community and economic development				
Planning commission	7,848	7,593	7,505	88
Recreation and cultural				
Fair/4-H premiums	2,000	2,000	2,000	-0-
Other				
Workers' compensation insurance	10,000	15,100	15,061	39
Insurance	312,855	312,855	253,231	59,624
Professional services	322,975	337,584	113,643	223,941
Other	5,000	10,000	10,000	-0-
Total other	650,830	675,539	391,935	283,604
Capital outlay	23,323	154,072	144,404	9,668
Debt service	49,351	49,351	49,351	-0-
TOTAL EXPENDITURES	11,219,457	11,352,991	10,832,144	520,847

Branch County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING USES				
Transfers to other funds				
DHS	\$ 25,000	\$ 25,000	\$ 25,000	\$ -0-
Building Authority - DHS	281,877	202,227	201,969	258
Child Care - Probate Court	406,840	406,840	406,840	-0-
Child Care - DHS	62,000	62,000	62,000	-0-
County Surveyor	4,500	4,500	4,500	-0-
Airport	60,000	60,000	60,000	-0-
Emergency Services	36,840	36,840	36,840	-0-
Friend of the Court	180,260	180,260	180,260	-0-
Law Library	10,000	10,000	10,000	-0-
Community Corrections	15,000	15,000	15,000	-0-
Building Authority - Courthouse	100,382	127,700	127,700	-0-
Building Authority - Human Services	80,863	105,525	105,525	-0-
Building Authority - Refunding 2002	97,594	125,268	125,268	-0-
TOTAL OTHER FINANCING USES	<u>1,361,156</u>	<u>1,361,160</u>	<u>1,360,902</u>	<u>258</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 12,580,613</u>	<u>\$ 12,714,151</u>	<u>\$ 12,193,046</u>	<u>\$ 521,105</u>

Branch County, Michigan

Revenue Sharing Reserve Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Interest	\$ 25,000	\$ 25,000	\$ 90,060	\$ 65,060
EXPENDITURES				
Other	<u>-</u>	<u>-</u>	<u>750</u>	<u>(750)</u>
EXCESS OF REVENUES OVER EXPENDITURES	25,000	25,000	89,310	65,810
OTHER FINANCING USES				
Transfers out	<u>(903,551)</u>	<u>(903,551)</u>	<u>(903,551)</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	(878,551)	(878,551)	(814,241)	64,310
Fund balance, beginning of year	<u>3,314,940</u>	<u>3,314,940</u>	<u>3,314,940</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 2,436,389</u>	<u>\$ 2,436,389</u>	<u>\$ 2,500,699</u>	<u>\$ 64,310</u>

Branch County, Michigan

Commission on Aging Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 577,305	\$ 577,305	\$ 568,596	\$ (8,709)
Intergovernmental	83,296	83,296	95,515	12,219
Charges for services	124,750	124,750	163,391	38,641
Interest and rents	22,000	22,000	26,783	4,783
Other	4,000	4,000	21,854	17,854
TOTAL REVENUES	811,351	811,351	876,139	64,788
EXPENDITURES				
Current				
Health and welfare	858,231	874,131	902,580	(28,449)
Capital outlay	16,750	16,750	12,774	3,976
TOTAL EXPENDITURES	874,981	890,881	915,354	(24,473)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(63,630)	(79,530)	(39,215)	40,315
OTHER FINANCING SOURCES				
Transfers in	63,630	63,630	63,630	-0-
NET CHANGE IN FUND BALANCE	-0-	(15,900)	24,415	40,315
Fund balance, beginning of year	175,641	175,641	175,641	-0-
Fund balance, end of year	\$ 175,641	\$ 159,741	\$ 200,056	\$ 40,315

Branch County, Michigan

Emergency Services Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 829,500	\$ 829,500	\$ 885,387	\$ 55,887
Intergovernmental - Federal/State	30,024	30,024	2,981	(27,043)
Charges for services	192,500	192,500	271,848	79,348
Interest and rents	4,000	4,000	44,079	40,079
Other				
Reimbursements	-	-	7,220	7,220
TOTAL REVENUES	1,056,024	1,056,024	1,211,515	155,491
EXPENDITURES				
Current				
Health and welfare	1,109,907	1,109,907	989,990	119,917
Debt service	200,000	200,000	14,930	185,070
Capital outlay	211,000	211,000	24,589	186,411
TOTAL EXPENDITURES	1,520,907	1,520,907	1,029,509	491,398
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(464,883)	(464,883)	182,006	646,889
OTHER FINANCING SOURCES				
Transfers in	36,840	36,840	36,840	-0-
NET CHANGE IN FUND BALANCE	(428,043)	(428,043)	218,846	646,889
Fund balance, beginning of year	810,733	810,733	810,733	-0-
Fund balance, end of year	\$ 382,690	\$ 382,690	\$ 1,029,579	\$ 646,889

Branch County, Michigan

Jail Millage Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 571,218	\$ 571,218	\$ 572,761	\$ 1,543
Interest and rents	3,000	3,000	2,240	(760)
TOTAL REVENUES	574,218	574,218	575,001	783
EXPENDITURES				
Current				
Public safety	2,950	2,950	450	2,500
EXCESS OF REVENUES OVER EXPENDITURES	571,268	571,268	574,551	3,283
OTHER FINANCING USES				
Transfers out	(574,218)	(574,218)	(574,218)	-0-
NET CHANGE IN FUND BALANCE	(2,950)	(2,950)	333	3,283
Fund balance, beginning of year	85,558	85,558	85,558	-0-
Fund balance, end of year	<u>\$ 82,608</u>	<u>\$ 82,608</u>	<u>\$ 85,891</u>	<u>\$ 3,283</u>

OTHER SUPPLEMENTARY INFORMATION

Branch County, Michigan
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
December 31, 2007

	Special		
	Marriage Counseling	Sheriff's Training	Parks
ASSETS			
Cash and cash equivalents	\$ 4,951	\$ 2,853	\$ 30,828
Taxes receivable	-	-	-
Inventories	-	-	-
Due from other governmental units - Federal/State	-	-	-
TOTAL ASSETS	\$ 4,951	\$ 2,853	\$ 30,828
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 5,533
Accrued payroll	-	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	-0-	5,533
FUND BALANCES			
Reserved for:			
Inventories	-	-	-
Clock tower expenditures	-	-	-
Unreserved			
Designated for debt service	-	-	-
Undesignated, reported in:			
Special revenue funds	4,951	2,853	25,295
TOTAL FUND BALANCES	4,951	2,853	25,295
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,951	\$ 2,853	\$ 30,828

Revenue				
Friend of the Court	Tax Administration	Mental Health Building Maintenance	Solid Waste Management Planning	Plat Books
\$ (144,442)	\$ 112,663	\$ 15,759	\$ 2,208	\$ 1
-	-	-	-	-
-	-	-	-	370
158,093	-	-	-	-
<u>\$ 13,651</u>	<u>\$ 112,663</u>	<u>\$ 15,759</u>	<u>\$ 2,208</u>	<u>\$ 371</u>
\$ 1,158	\$ -	\$ 123	\$ -	\$ -
7,035	-	-	-	-
538	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
8,731	-0-	123	-0-	-0-
-	-	-	-	370
-	-	-	-	-
-	-	-	-	-
4,920	112,663	15,636	2,208	1
4,920	112,663	15,636	2,208	371
<u>\$ 13,651</u>	<u>\$ 112,663</u>	<u>\$ 15,759</u>	<u>\$ 2,208</u>	<u>\$ 371</u>

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2007

	Animal Shelter	Special Juvenile Day Care Program	Sheriff's Special Investigation
ASSETS			
Cash and cash equivalents	\$ 1,078	\$ (173)	\$ 17,044
Taxes receivable	-	-	-
Inventories	-	-	-
Due from other governmental units - Federal/State	-	13,620	-
TOTAL ASSETS	<u>\$ 1,078</u>	<u>\$ 13,447</u>	<u>\$ 17,044</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 4,391	\$ -
Accrued payroll	-	5,319	-
Other accrued liabilities	-	407	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	10,117	-0-
FUND BALANCES			
Reserved for:			
Inventories	-	-	-
Clock tower expenditures	-	-	-
Unreserved			
Designated for debt service	-	-	-
Undesignated, reported in:			
Special revenue funds	1,078	3,330	17,044
TOTAL FUND BALANCES	<u>1,078</u>	<u>3,330</u>	<u>17,044</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,078</u>	<u>\$ 13,447</u>	<u>\$ 17,044</u>

Revenue					
Prosecutor's Special Investigation	Sheriff's Salvage Inspection	Law Library	Community Corrections	DHS	Child Care - Probate Court
\$ 22,106	\$ 19,949	\$ 6,733	\$ 897	\$ 57,396	\$ 306,964
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,065	-	-
<u>\$ 22,106</u>	<u>\$ 19,949</u>	<u>\$ 6,733</u>	<u>\$ 1,962</u>	<u>\$ 57,396</u>	<u>\$ 306,964</u>
\$ -	\$ -	\$ 1,091	\$ 990	\$ 931	\$ 15,691
-	-	-	-	-	4,234
-	-	-	-	-	324
-	-	-	-	-	-
-	-	-	-	34,000	-
-	-	-	-	-	-
-0-	-0-	1,091	990	34,931	20,249
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>22,106</u>	<u>19,949</u>	<u>5,642</u>	<u>972</u>	<u>22,465</u>	<u>286,715</u>
<u>22,106</u>	<u>19,949</u>	<u>5,642</u>	<u>972</u>	<u>22,465</u>	<u>286,715</u>
<u>\$ 22,106</u>	<u>\$ 19,949</u>	<u>\$ 6,733</u>	<u>\$ 1,962</u>	<u>\$ 57,396</u>	<u>\$ 306,964</u>

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2007

	Special		
	Child Care - DHS	Building Inspection	County Surveyor
ASSETS			
Cash and cash equivalents	\$ 17,687	\$ 83,745	\$ 1,634
Taxes receivable	-	-	-
Inventories	-	-	-
Due from other governmental units - Federal/State	400	-	-
TOTAL ASSETS	<u>\$ 18,087</u>	<u>\$ 83,745</u>	<u>\$ 1,634</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 9,312	\$ 18	\$ -
Accrued payroll	-	5,239	-
Other accrued liabilities	-	401	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	9,312	5,658	-0-
FUND BALANCES			
Reserved for:			
Inventories	-	-	-
Clock tower expenditures	-	-	-
Unreserved			
Designated for debt service	-	-	-
Undesignated, reported in:			
Special revenue funds	8,775	78,087	1,634
TOTAL FUND BALANCES	<u>8,775</u>	<u>78,087</u>	<u>1,634</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 18,087</u>	<u>\$ 83,745</u>	<u>\$ 1,634</u>

Revenue				
Veterans' Trust	Soldiers and Sailors	Victims' Rights	MSU Grants	Airport
\$ 538	\$ 63,563	\$ 1,023	\$ 112	\$ 78,178
-	124,829	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 538</u>	<u>\$ 188,392</u>	<u>\$ 1,023</u>	<u>\$ 112</u>	<u>\$ 78,178</u>
\$ 75	\$ 972	\$ -	\$ -	\$ 753
-	-	792	-	-
-	-	61	-	-
-	-	-	-	-
-	-	-	-	-
-	124,829	-	-	-
75	125,801	853	-0-	753
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
463	62,591	170	112	77,425
463	62,591	170	112	77,425
<u>\$ 538</u>	<u>\$ 188,392</u>	<u>\$ 1,023</u>	<u>\$ 112</u>	<u>\$ 78,178</u>

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2007

		Special	
	Commission on Aging Facility	Clock Tower	Register of Deeds Automation
ASSETS			
Cash and cash equivalents	\$ 616,238	\$ 5,710	\$ 34,057
Taxes receivable	-	-	-
Inventories	-	-	-
Due from other governmental units - Federal/State	-	-	-
TOTAL ASSETS	\$ 616,238	\$ 5,710	\$ 34,057
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	661
Other accrued liabilities	-	-	51
Due to other funds	5,199	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	5,199	-0-	712
FUND BALANCES			
Reserved for:			
Inventories	-	-	-
Clock tower expenditures	-	5,710	-
Unreserved			
Designated for debt service	320,000	-	-
Undesignated, reported in:			
Special revenue funds	291,039	-	33,345
TOTAL FUND BALANCES	611,039	5,710	33,345
TOTAL LIABILITIES AND FUND BALANCES	\$ 616,238	\$ 5,710	\$ 34,057

Revenue			Debt Service		
Homestead Property Tax	Homeland Security Grant	Local Correction Officer Training	Building Authority - COA	Building Authority - DHS	Building Authority - Hospital
\$ 4,402	\$ 49,935	\$ 46,176	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 4,402	\$ 49,935	\$ 46,176	\$ -0-	\$ -0-	\$ -0-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,402	49,935	46,176	-	-	-
4,402	49,935	46,176	-0-	-0-	-0-
\$ 4,402	\$ 49,935	\$ 46,176	\$ -0-	\$ -0-	\$ -0-

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2007

	Debt Service		
	Building Authority - Human Services	Building Authority - Courthouse	Building Authority - Refunding
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Taxes receivable	-	-	-
Inventories	-	-	-
Due from other governmental units - Federal/State	-	-	-
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
FUND BALANCES			
Reserved for:			
Inventories	-	-	-
Clock tower expenditures	-	-	-
Unreserved			
Designated for debt service	-	-	-
Undesignated, reported in:			
Special revenue funds	-	-	-
TOTAL FUND BALANCES	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Total
Nonmajor
Governmental
Funds

\$ 1,459,813
124,829
370

173,178

\$ 1,758,190

\$ 41,038
23,280
1,782
5,199
34,000
124,829

230,128

370
5,710

320,000

1,201,982

1,528,062

\$ 1,758,190

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2007

	Special		
	Marriage Counseling	Sheriff's Training	Parks
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	3,990	-	-
Intergovernmental -			
Local	-	-	-
Federal/State	-	-	-
Charges for services	-	-	366,399
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	3,990	-0-	366,399
EXPENDITURES			
Current			
General government	285	-	-
Public safety	-	4,703	-
Health and welfare	-	-	-
Recreation and cultural	-	-	259,558
Capital outlay	-	-	86,096
Debt service	-	-	5,784
TOTAL EXPENDITURES	285	4,703	351,438
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,705	(4,703)	14,961
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	3,705	(4,703)	14,961
Fund balances (deficits), beginning of year	1,246	7,556	10,334
Fund balances, end of year	\$ 4,951	\$ 2,853	\$ 25,295

Revenue				
Friend of the Court	Tax Administration	Mental Health Building Maintenance	Solid Waste Management Planning	Plat Books
\$ -	\$ 8,027	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
612,455	-	-	-	-
79,815	-	4,500	-	-
-	-	-	-	-
-	-	-	-	-
1,532	-	-	-	-
693,802	8,027	4,500	-0-	-0-
854,728	546	18,987	-	-
-	-	-	-	-
-	-	-	285	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
854,728	546	18,987	285	-0-
(160,926)	7,481	(14,487)	(285)	-0-
180,260	-	-	-	-
-	(9,955)	-	-	-
180,260	(9,955)	-0-	-0-	-0-
19,334	(2,474)	(14,487)	(285)	-0-
(14,414)	115,137	30,123	2,493	371
\$ 4,920	\$ 112,663	\$ 15,636	\$ 2,208	\$ 371

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2007

	Animal Shelter	Special Juvenile Day Care Program	Sheriff's Special Investigation
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Local	-	-	-
Federal/State	-	93,193	-
Charges for services	-	-	-
Fines and forfeits	-	-	7,010
Interest and rents	-	-	491
Other	384	1,631	-
TOTAL REVENUES	384	94,824	7,501
EXPENDITURES			
Current			
General government	-	-	-
Public safety	285	-	4,124
Health and welfare	-	229,731	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	285	229,731	4,124
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	99	(134,907)	3,377
OTHER FINANCING SOURCES (USES)			
Transfers in	-	148,537	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	148,537	-0-
NET CHANGE IN FUND BALANCES	99	13,630	3,377
Fund balances (deficits), beginning of year	979	(10,300)	13,667
Fund balances, end of year	\$ 1,078	\$ 3,330	\$ 17,044

Revenue					
Prosecutor's Special Investigation	Sheriff's Salvage Inspection	Law Library	Community Corrections	DHS	Child Care - Probate Court
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	34,303	103,938	331,245
-	1,400	-	-	-	-
1,948	-	4,500	-	-	-
724	400	-	-	-	-
-	-	-	75	12,652	26,453
2,672	1,800	4,500	34,378	116,590	357,698
-	-	14,091	-	-	-
3,642	7,074	-	49,068	-	-
-	-	-	-	136,752	573,924
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,642	7,074	14,091	49,068	136,752	573,924
(970)	(5,274)	(9,591)	(14,690)	(20,162)	(216,226)
-	-	10,000	15,000	25,000	406,840
-	-	-	-	-	(148,537)
-0-	-0-	10,000	15,000	25,000	258,303
(970)	(5,274)	409	310	4,838	42,077
23,076	25,223	5,233	662	17,627	244,638
\$ 22,106	\$ 19,949	\$ 5,642	\$ 972	\$ 22,465	\$ 286,715

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2007

	Special		
	Child Care - DHS	Building Inspection	County Surveyor
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	350,572	-
Intergovernmental -			
Local	-	-	-
Federal/State	35,753	-	-
Charges for services	-	28	-
Fines and forfeits	-	33	-
Interest and rents	-	-	-
Other	23,585	1,012	-
TOTAL REVENUES	59,338	351,645	-0-
EXPENDITURES			
Current			
General government	-	-	4,535
Public safety	-	351,928	-
Health and welfare	94,879	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	94,879	351,928	4,535
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(35,541)	(283)	(4,535)
OTHER FINANCING SOURCES (USES)			
Transfers in	62,000	-	4,500
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	62,000	-0-	4,500
NET CHANGE IN FUND BALANCES	26,459	(283)	(35)
Fund balances (deficits), beginning of year	(17,684)	78,370	1,669
Fund balances, end of year	\$ 8,775	\$ 78,087	\$ 1,634

Revenue				
Veterans' Trust	Soldiers and Sailors	Victims' Rights	MSU Grants	Airport
\$ -	\$ 117,934	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
4,104	-	44,238	1,041	38,289
-	-	-	-	-
-	-	-	-	-
-	-	-	-	47,565
-	990	408	-	169
4,104	118,924	44,646	1,041	86,023
-	-	-	1,041	71,146
-	-	-	-	-
4,100	107,010	47,067	-	-
-	-	-	-	-
-	-	-	-	27,330
-	-	-	-	-
4,100	107,010	47,067	1,041	98,476
4	11,914	(2,421)	-0-	(12,453)
-	-	-	-	60,000
-	-	-	-	-
-0-	-0-	-0-	-0-	60,000
4	11,914	(2,421)	-0-	47,547
459	50,677	2,591	112	29,878
\$ 463	\$ 62,591	\$ 170	\$ 112	\$ 77,425

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2007

	Special		
	Commission on Aging Facility	Clock Tower	Register of Deeds Automation
REVENUES			
Taxes	\$ 297,044	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Local	-	-	-
Federal/State	-	-	-
Charges for services	-	-	45,215
Fines and forfeits	-	-	-
Interest and rents	27,073	47	2,193
Other	-	27	40
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	324,117	74	47,448
EXPENDITURES			
Current			
General government	-	980	64,815
Public safety	-	-	-
Health and welfare	382	-	-
Recreation and cultural	-	-	-
Capital outlay	9,031	-	-
Debt service	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	9,413	980	64,815
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	314,704	(906)	(17,367)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(144,298)	-	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	(144,298)	-0-	-0-
NET CHANGE IN FUND BALANCES	170,406	(906)	(17,367)
Fund balances (deficits), beginning of year	440,633	6,616	50,712
	<hr/>	<hr/>	<hr/>
Fund balances, end of year	\$ 611,039	\$ 5,710	\$ 33,345
	<hr/>	<hr/>	<hr/>

Revenue			Debt Service		
Homestead Property Tax	Homeland Security Grant	Local Correction Officer Training	Building Authority - COA	Building Authority - DHS	Building Authority - Hospital
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	375,196
-	10,123	-	-	-	-
-	-	16,600	-	-	-
-	-	-	-	-	-
4,377	-	808	-	-	-
-	-	-	-	-	-
4,377	10,123	17,408	-0-	-0-	375,196
-	-	-	-	-	-
-	285	16,658	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	18,564	-	-	-	-
-	-	-	80,668	201,969	375,196
-0-	18,849	16,658	80,668	201,969	375,196
4,377	(8,726)	750	(80,668)	(201,969)	-0-
-	-	-	80,668	201,969	-
-	-	-	-	-	-
-0-	-0-	-0-	80,668	201,969	-0-
4,377	(8,726)	750	-0-	-0-	-0-
25	58,661	45,426	-	-	-
\$ 4,402	\$ 49,935	\$ 46,176	\$ -0-	\$ -0-	\$ -0-

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2007

	Debt Service		
	Building Authority - Human Services	Building Authority - Courthouse	Building Authority - Refunding
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Local	-	-	168,042
Federal/State	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	-0-	-0-	168,042
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Health and welfare	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	105,525	127,958	293,310
	<u>105,525</u>	<u>127,958</u>	<u>293,310</u>
TOTAL EXPENDITURES	105,525	127,958	293,310
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(105,525)	(127,958)	(125,268)
OTHER FINANCING SOURCES (USES)			
Transfers in	105,525	127,700	125,268
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	105,525	127,700	125,268
NET CHANGE IN FUND BALANCES	-0-	(258)	-0-
Fund balances (deficits), beginning of year	-	258	-
	<u>-</u>	<u>258</u>	<u>-</u>
Fund balances, end of year	\$ -0-	\$ -0-	\$ -0-
	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Total Nonmajor Governmental Funds	
\$	423,005
	354,562
	543,238
	1,308,682
	513,957
	13,491
	83,678
	68,958
	<u>3,309,571</u>
	1,031,154
	437,767
	1,194,130
	259,558
	141,021
	<u>1,190,410</u>
	<u>4,254,040</u>
	(944,469)
	1,553,267
	<u>(302,790)</u>
	<u>1,250,477</u>
	306,008
	<u>1,222,054</u>
\$	<u><u>1,528,062</u></u>

Branch County, Michigan

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2007

	Revolving Drain Equipment	Employee Health Insurance Management	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 37,614	\$ 32,069	\$ 69,683
Inventory	3,811	-	3,811
TOTAL ASSETS	41,425	32,069	73,494
LIABILITIES			
Current liabilities			
Accounts payable	-	4,973	4,973
Due to other governmental units	4,138	-	4,138
Total current liabilities	4,138	4,973	9,111
Noncurrent liabilities			
Advance from other funds	10,000	20,000	30,000
TOTAL LIABILITIES	14,138	24,973	39,111
NET ASSETS			
Unrestricted	\$ 27,287	\$ 7,096	\$ 34,383

Branch County, Michigan

Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2007

	Revolving Drain Equipment	Employee Health Insurance Management	Total
OPERATING REVENUES			
Charges for services	\$ 2,144	\$ 72,117	\$ 74,261
OPERATING EXPENSES			
Fringe benefits	-	64,021	64,021
Depreciation	50	-	50
Other	960	1,000	1,960
TOTAL OPERATING EXPENSES	1,010	65,021	66,031
OPERATING INCOME	1,134	7,096	8,230
NONOPERATING REVENUES			
Interest revenue	1,197	-	1,197
CHANGE IN NET ASSETS	2,331	7,096	9,427
Net assets, beginning of year	24,956	-	24,956
Net assets, end of year	\$ 27,287	\$ 7,096	\$ 34,383

Branch County, Michigan

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2007

	Revolving Drain Equipment	Employee Health Insurance Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 2,144	\$ 72,117	\$ 74,261
Cash paid to suppliers	(960)	(1,000)	(1,960)
Cash paid for employee benefits	-	(59,048)	(59,048)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,184	12,069	13,253
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advance from other funds	-	20,000	20,000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	1,197	-	1,197
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,381	32,069	34,450
Cash and cash equivalents, beginning of year	35,233	-	35,233
Cash and cash equivalents, end of year	<u>\$ 37,614</u>	<u>\$ 32,069</u>	<u>\$ 69,683</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 1,134	\$ 7,096	\$ 8,230
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	50	-	50
Increase in accounts payable	-	4,973	4,973
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,184</u>	<u>\$ 12,069</u>	<u>\$ 13,253</u>

Branch County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2007

	Trust and Agency	Library	Total
ASSETS			
Cash	\$ 1,086,892	\$ 38,668	\$ 1,125,560
LIABILITIES			
Undistributed collections	\$ 407	\$ -	\$ 407
Defendant bonds payable	171,310	-	171,310
Due to other governmental units			
Federal/State	45,063	-	45,063
Local	826,082	-	826,082
Due to individuals and agencies	44,030	38,668	82,698
TOTAL LIABILITIES	\$ 1,086,892	\$ 38,668	\$ 1,125,560

Branch County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2007

	Debt Service		Capital
	Regular Drain	Lake Level	Regular Drain
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 540,149
Special assessments receivable	684,397	-	98,650
Inventories	-	-	27,153
Due from other governmental units	-	-	4,138
Due from other funds	95,778	30,000	-
TOTAL ASSETS	\$ 780,175	\$ 30,000	\$ 670,090
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	175,161
Advance from other governmental units	-	-	-
Deferred revenue	462,192	-	-
Notes payable	-	-	11,500
TOTAL LIABILITIES	462,192	-0-	186,661
FUND BALANCES			
Reserved for debt service	317,983	30,000	-
Reserved for inventories	-	-	27,153
Unreserved			
Designated for capital expenditures	-	-	456,276
TOTAL FUND BALANCES	317,983	30,000	483,429
TOTAL LIABILITIES AND FUND BALANCES	\$ 780,175	\$ 30,000	\$ 670,090

Projects				
Drain Revolving	Lake Level	Lake Level Revolving	Hodunk/ Messger Lake	Total
\$ 20,618	\$ 165,092	\$ 8,291	\$ 82,919	\$ 817,069
-	-	-	-	783,047
-	-	-	-	27,153
-	-	-	-	4,138
79,382	-	709	-	205,869
<u>\$ 100,000</u>	<u>\$ 165,092</u>	<u>\$ 9,000</u>	<u>\$ 82,919</u>	<u>\$ 1,837,276</u>
\$ -	\$ 279	\$ -	\$ -	\$ 279
-	30,708	-	-	205,869
100,000	-	9,000	-	109,000
-	-	-	-	462,192
-	-	-	-	11,500
100,000	30,987	9,000	-0-	788,840
-	-	-	-	347,983
-	-	-	-	27,153
-	134,105	-	82,919	673,300
-0-	134,105	-0-	82,919	1,048,436
<u>\$ 100,000</u>	<u>\$ 165,092</u>	<u>\$ 9,000</u>	<u>\$ 82,919</u>	<u>\$ 1,837,276</u>

Branch County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

December 31, 2007

Total fund balances - governmental funds **\$ 1,048,436**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 3,999,562	
Accumulated depreciation is	<u>(2,386,932)</u>	
Capital assets, net		1,612,630

Long-term receivables are not available to pay for current period
expenditures and therefore deferred in the funds. These consist of:

Deferred revenue	462,192
------------------	---------

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Notes payable	347,583	
Accrued interest payable	<u>23,852</u>	
		<u>(371,435)</u>

Net assets of governmental activities **\$ 2,751,823**

Branch County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended December 31, 2007

	Debt Service		Capital
	Regular Drain	Lake Level	Regular Drain
REVENUES			
Interest	\$ -	\$ -	\$ 22,097
Other			
Special assessments	34,914	-	392,053
TOTAL REVENUES	34,914	-0-	414,150
EXPENDITURES			
Current			
Public works	-	-	454,200
Debt service			
Principal	120,930	-	-
Interest and fiscal charges	7,442	-	-
TOTAL EXPENDITURES	128,372	-0-	454,200
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(93,458)	-0-	(40,050)
OTHER FINANCING SOURCES			
Long-term note proceeds	93,000	-	-
NET CHANGE IN FUND BALANCES	(458)	-0-	(40,050)
Fund balances, beginning of year	318,441	30,000	523,479
Fund balances, end of year	\$ 317,983	\$ 30,000	\$ 483,429

Projects				
Drain Revolving	Lake Level	Lake Level Revolving	Hodunk/ Messger Lake	Total
\$ -	\$ 4,939	\$ -	\$ 2,921	\$ 29,957
-	80,197	-	90,420	597,584
-0-	85,136	-0-	93,341	627,541
-	15,224	-	58,377	527,801
-	-	-	-	120,930
-	-	-	-	7,442
-0-	15,224	-0-	58,377	656,173
-0-	69,912	-0-	34,964	(28,632)
-	-	-	-	93,000
-0-	69,912	-0-	34,964	64,368
-	64,193	-	47,955	984,068
\$ -0-	\$ 134,105	\$ -0-	\$ 82,919	\$ 1,048,436

Branch County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended December 31, 2007

Net change in fund balances - total governmental funds \$ 64,368

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 185,764	
Depreciation expense	<u>(177,168)</u>	
Excess of capital outlay over depreciation expense		8,596

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Change in deferred revenue		21,820
----------------------------	--	--------

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt proceeds	(93,000)	
Note principal retirement	<u>120,930</u>	
		27,930

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Change in accrued interest payable	<u>(10,354)</u>	
------------------------------------	-----------------	--

Change in net assets of governmental activities \$ 112,360

Branch County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS

December 31, 2007

	Special Revenue	Debt Service	
	Water and Sewer	Coldwater/ Long Lake Sewer Supplemental	Sewer #2 Refunding
ASSETS			
Cash and cash equivalents	\$ 55,355	\$ 76,477	\$ 71,416
Special assessment receivable	-	823,231	4,864,541
Capital assets not being depreciated	-	-	-
Capital assets, net of accumulated depreciation	-	-	-
TOTAL ASSETS	\$ 55,355	\$ 899,708	\$ 4,935,957
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
Other accrued liabilities	-	-	-
Deferred revenue	-	730,130	4,527,483
Advance from other governmental units	-	-	-
TOTAL LIABILITIES	-0-	730,130	4,527,483
FUND EQUITY			
Net assets			
Invested in capital assets, net of related debt	-	-	-
Unrestricted	-	-	-
Fund balances			
Reserved for debt service	-	169,578	408,474
Unreserved			
Designated for capital expenditures	21,360	-	-
Undesignated, reported in Special revenue funds	33,995	-	-
TOTAL FUND EQUITY	55,355	169,578	408,474
TOTAL LIABILITIES AND FUND EQUITY	\$ 55,355	\$ 899,708	\$ 4,935,957

Capital Projects	Enterprise			Internal Service	
Lake Maintenance	Sewer	DPW Operation and Maintenance	Ovid Treatment Plant	BPW Revolving	Total
\$ 182,699	\$ 344,163	\$ 105,975	\$ 215,532	\$ 50,723	\$ 1,102,340
-	-	-	-	-	5,687,772
-	913,064	-	183,779	-	1,096,843
-	1,489,792	-	9,687,447	-	11,177,239
<u>\$ 182,699</u>	<u>\$ 2,747,019</u>	<u>\$ 105,975</u>	<u>\$ 10,086,758</u>	<u>\$ 50,723</u>	<u>\$ 19,064,194</u>
\$ -	\$ 306	\$ 2,813	\$ 648	\$ -	\$ 3,767
-	-	2,336	-	-	2,336
-	-	179	-	-	179
-	-	-	-	-	5,257,613
-	-	-	-	35,000	35,000
-0-	306	5,328	648	35,000	5,298,895
-	2,402,856	-	9,871,226	-	12,274,082
-	343,857	100,647	214,884	15,723	675,111
-	-	-	-	-	578,052
182,699	-	-	-	-	204,059
-	-	-	-	-	33,995
<u>182,699</u>	<u>2,746,713</u>	<u>100,647</u>	<u>10,086,110</u>	<u>15,723</u>	<u>13,765,299</u>
<u>\$ 182,699</u>	<u>\$ 2,747,019</u>	<u>\$ 105,975</u>	<u>\$ 10,086,758</u>	<u>\$ 50,723</u>	<u>\$ 19,064,194</u>

Branch County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - BOARD OF PUBLIC WORKS

December 31, 2007

Total fund balances - governmental funds \$ 816,106

Amounts reported for the governmental activities in the statement of net assets are different because:

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets

Net assets of governmental activities accounted for in Internal Service Funds	15,723
--	--------

Long-term receivables are not available to pay for current period expenditures and therefore are not reported as assets in the funds.
Long-term receivables at year-end consist of:

Deferred portion of special assessments	5,257,613
---	-----------

Governmental funds report the difference between the carrying amount of the defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Net Assets. These amounts consist of:

Unamortized defeased debt	122,747
---------------------------	---------

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.
Long-term liabilities at year-end consist of:

Direct obligations	\$ 4,395,000	
Accrued interest payable	26,810	
		(4,421,810)

Net assets of governmental activities	\$ 1,790,379
--	---------------------

Branch County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUND TYPES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2007

	Special Revenue	Debt Service	
	Water and Sewer	Coldwater/ Long Lake Sewer Supplemental	Sewer #2 Refunding
REVENUES			
Interest	\$ 1,922	\$ -	\$ 5,960
Other			
Special assessments	12,600	109,061	394,694
Miscellaneous	390	-	-
TOTAL REVENUES	14,912	109,061	400,654
EXPENDITURES			
General government			
Other	375	440	472
Debt service			
Principal	-	-	235,000
Interest and fiscal charges	-	-	164,028
Capital outlay			
Construction	7,224	-	-
TOTAL EXPENDITURES	7,599	440	399,500
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,313	108,621	1,154
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	100,000
Transfers out	-	(100,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	(100,000)	100,000
NET CHANGE IN FUND BALANCES	7,313	8,621	101,154
Fund balances, beginning of year	48,042	160,957	307,320
Fund balances, end of year	\$ 55,355	\$ 169,578	\$ 408,474

<u>Capital Projects</u>	
<u>Lake Maintenance</u>	<u>Total</u>
\$ 8,365	\$ 16,247
-	516,355
-	390
8,365	532,992
125	1,412
-	235,000
-	164,028
8,375	15,599
8,500	416,039
(135)	116,953
-	100,000
-	(100,000)
-0-	-0-
(135)	116,953
182,834	699,153
<u>\$ 182,699</u>	<u>\$ 816,106</u>

Branch County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2007

Net change in fund balances - total governmental funds \$ 116,953

Amounts reported for governmental activities in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Net income from governmental activities accounted for in Internal Service Funds	1,200
---	-------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Change in deferred revenue	(39,945)
----------------------------	----------

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. Also, governmental funds report the effect of the difference between the carrying amount of defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the current year, these amounts consist of:

Amortization of defeased debt	\$ (8,768)	
Bond principal retirement	<u>235,000</u>	226,232

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Change in accrued interest payable	<u>980</u>
------------------------------------	------------

Change in net assets of governmental activities	<u><u>\$ 305,420</u></u>
--	--------------------------

Branch County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND TYPES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2007

		Enterprise	
		DPW	Ovid
	Sewer	Operation and Maintenance	Treatment Plant
OPERATING REVENUES			
Intergovernmental - local	\$ -	\$ 3,024	\$ -
Charges for services	96,774	221,414	141,534
Other	415	-	50,364
TOTAL OPERATING REVENUES	97,189	224,438	191,898
OPERATING EXPENSES			
Personal services	-	118,796	402
Fringe benefits	-	38,708	-
Operating supplies	-	9,084	4,127
Contractual services	90,051	9,123	149,499
Depreciation	81,530	-	244,832
Other	34,946	49,073	44,214
TOTAL OPERATING EXPENSES	206,527	224,784	443,074
OPERATING INCOME (LOSS)	(109,338)	(346)	(251,176)
NONOPERATING REVENUES			
Interest revenue	13,486	-	-
NET INCOME (LOSS)	(95,852)	(346)	(251,176)
Net assets, beginning of year	2,842,565	100,993	10,337,286
Net assets, end of year	\$ 2,746,713	\$ 100,647	\$ 10,086,110

<u>Internal Service</u>	
<u>BPW Revolving</u>	<u>Total</u>
\$ -	\$ 3,024
-	459,722
<u>1,200</u>	<u>51,979</u>
1,200	514,725
-	-
-	119,198
-	38,708
-	13,211
-	248,673
-	326,362
<u>-</u>	<u>128,233</u>
<u>-0-</u>	<u>874,385</u>
1,200	(359,660)
-	13,486
<u>1,200</u>	<u>(346,174)</u>
<u>14,523</u>	<u>13,295,367</u>
<u>\$ 15,723</u>	<u>\$ 12,949,193</u>

Branch County, Michigan

Component Unit Funds

COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES -
BOARD OF PUBLIC WORKS

Year Ended December 31, 2007

		Enterprise	
		DPW	Ovid
	Sewer	Operation and Maintenance	Treatment Plant
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from users	\$ 122,133	\$ 224,438	\$ 228,731
Cash paid to suppliers	(124,774)	(71,539)	(198,008)
Cash paid to employees	-	(118,358)	(402)
Cash paid for employee benefits	-	(38,708)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(2,641)	(4,167)	30,321
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	13,486	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	10,845	(4,167)	30,321
Cash and cash equivalents, beginning of year	333,318	110,142	185,211
Cash and cash equivalents, end of year	<u>\$ 344,163</u>	<u>\$ 105,975</u>	<u>\$ 215,532</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (109,338)	\$ (346)	\$ (251,176)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	81,530	-	244,832
Decrease in accounts receivable	24,944	-	36,833
Increase (decrease) in accounts payable	223	(4,259)	(168)
Increase in accrued payroll	-	407	-
Increase in accrued liabilities	-	31	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (2,641)</u>	<u>\$ (4,167)</u>	<u>\$ 30,321</u>

<u>Internal Service</u>	
<u>BPW Revolving</u>	<u>Total</u>
\$ 1,200	\$ 576,502
-	(394,321)
-	(118,760)
-	(38,708)
1,200	24,713
-	13,486
1,200	38,199
49,523	678,194
<u>\$ 50,723</u>	<u>\$ 716,393</u>
\$ 1,200	\$ (359,660)
-	326,362
-	61,777
-	(4,204)
-	407
-	31
<u>\$ 1,200</u>	<u>\$ 24,713</u>

Branch County, Michigan

Component Unit Funds

BALANCE SHEET - HOUSING COMMISSION

December 31, 2007

	<u>Special Revenue</u>
ASSETS	
Cash and cash equivalents	\$ 32,434
Loans receivable	<u>7,317</u>
TOTAL ASSETS	<u>\$ 39,751</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Deferred revenue	\$ 7,317
FUND BALANCE	
Unreserved - undesignated	<u>32,434</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 39,751</u>

Branch County, Michigan

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - HOUSING COMMISSION

December 31, 2007

Total fund balance - governmental fund	\$ 32,434
---	------------------

Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term receivables are not available to pay for current period
expenditures and therefore deferred in the funds. These consist of:

Deferred revenue	<u>7,317</u>
------------------	--------------

Net assets of governmental activities	<u>\$ 39,751</u>
--	-------------------------

Branch County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - HOUSING COMMISSION

Year Ended December 31, 2007

	Special Revenue
REVENUES	
Intergovernmental - Federal/State	\$ 53,496
Other	<u>903</u>
TOTAL REVENUES	54,399
EXPENDITURES	
Health and welfare	<u>85,357</u>
NET CHANGE IN FUND BALANCE	(30,958)
Fund balance, beginning of year	<u>63,392</u>
Fund balance, end of year	<u><u>\$ 32,434</u></u>

Branch County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES - HOUSING COMMISSION

Year Ended December 31, 2007

Net change in fund balance - total governmental fund	\$ (30,958)
---	--------------------

Amounts reported for governmental activities in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Change in deferred revenue	<u>-</u>
----------------------------	----------

Change in net assets of governmental activities	<u>\$ (30,958)</u>
--	---------------------------

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Branch County
Coldwater, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Branch County, Michigan as of and for the year ended December 31, 2007, and have issued our report thereon dated July 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Branch County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

2006-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP

Condition: As part of the audit process, the County, like many other governments, has historically relied on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. It is more cost effective to outsource the preparation of the annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally. The County requires the assistance of the independent auditors to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

2006-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP - CONTINUED

Criteria: Governmental entities are required to issue financial statements that are prepared in accordance with GAAP. Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that responsibility for the financial statements rests with the County's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

Effect: The County relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP. This reliance makes the independent auditors effectively part of the County's internal controls. By definition, independent auditors cannot be part of the County's internal controls.

Recommendation: We recommend the County consider providing applicable employees with training that would allow them to attain the qualifications required to fully understand the GAAP financial statement preparation process. Should the County choose not to address this issue, management and the Board of Commissioners should realize that an increased risk is present.

This recommendation is not intended to imply that the County's contractual arrangement with the independent auditors, which includes preparation of the financial statements, is improper or should be changed. SAS 112 does not require that management actually prepare the financial statements, but it requires the independent auditors to comment when the applicable internal controls are not in place.

Corrective Action Response: The County will review applicable training and certification that will support the preparation and understanding of procedures and allocate the resources necessary to support this training.

2007-1 RECONCILIATION TO THE GENERAL LEDGER AND BANK RECONCILIATIONS

Condition: During our analysis of the Department of Human Services for Branch County, we noted that revenue and expenditure accounts maintained in the County's computerized general ledger were not reconciled with the general ledger maintained by the State of Michigan Department of Human Services for the year ended December 31, 2007.

Criteria: Internal control is a process - effected by an entity's board of directors, management, and other personnel - designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

Internal control consists of five interrelated components:

- a. *Control environment* sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
- b. *Risk assessment* is the entity's identification and analysis of relevant risk to achievement of its objectives, forming a basis for determining how the risks should be managed.
- c. *Control activities* are the policies and procedures that help ensure that management directives are carried out.
- d. *Information and communication* systems support the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.
- e. *Monitoring* is a process that assesses the quality of internal control performance over time.

The completion of bank reconciliations and other reconciliations is considered a monitoring activity and essential to sound internal control.

Effect: The reconciliation of accounts with the general ledger are a significant part of the internal controls of the Department. By not performing such reconciliations, the Department is not maintaining sufficient internal controls.

Recommendation: We recommend that the Department review and reconcile all accounts monthly and ensure that the balances are agreed with the computerized general ledger prior to audit fieldwork. The review should be documented with the reviewer's initials and date of review and be retained for audit purposes.

2007-1 RECONCILIATION TO THE GENERAL LEDGER AND BANK RECONCILIATIONS - CONTINUED

Corrective Action Response: In an effort to reconcile the County's general ledger with the State of Michigan D.H.S. general ledger we will receive a balance sheet of the month's activity from D.H.S. for comparison.

2007-2 LACK OF SUPPORTING DOCUMENTATION

Condition: During our review and testing of internal controls over credit card disbursements, we identified certain opportunities to strengthen internal controls over the purchasing and disbursement procedures. Specifically, we noted that supporting documentation could not be located for four (4) of ten (10) Home Depot purchases selected.

Criteria: Adequate controls over disbursements include obtaining invoices for all purchases to ensure appropriateness of all charges. These invoices should be attached to the credit card bill and retained for audit purposes.

Cause: Procedures are not currently in place or properly implemented which prevent cash disbursements when an invoice is not present.

Effect: Without adequate controls in place, the County is exposed to an increased risk of fraud.

Corrective Action Response: The County will work toward having all material journal entries completed before auditing fieldwork begins in the future.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the deficiencies described below to be material weaknesses in internal control over financial reporting.

2007-3 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries for the proper recognition of taxes receivable and related deferred revenue, accounts receivable, grants receivable, accounts payable, and depreciation were proposed by the auditors. These misstatements were not detected by the County's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the County's general ledger.

Criteria: Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

Effect: Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the County's internal controls.

Recommendation: We recommend that the County take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: The County will work with the auditor to understand these entries and work toward internal control procedures to ensure these are identified and addressed by the County's internal controls.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

2007-4 UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the County's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for various activities in the General Fund and various Special Revenue Funds. This issue was noted and reported in our audit comments last year.

Criteria: The Uniform Budgeting and Accounting Act requires the County to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

Cause: The County's budget was not amended as it became apparent that expenditures would exceed the amounts appropriated for various activities of the General Fund and various Special Revenue Funds.

Effect: The County adopted the budget for the General Fund at the activity level and at the total fund level for the Special Revenue funds. Having unfavorable budget variances as described above, the County is not in compliance with Public Act 621 of 1978, as amended.

Corrective Action Response: This year the County has implemented controls, e.g. quarterly and mid-year reviews to monitor the expenditures and revenues in an effort to provide a means to make adjustments if necessary. We will gauge the effectiveness of these controls in our ability to identify and take corrective action.

2007-5 ESCHEAT UNCLAIMED PROPERTY TO THE STATE OF MICHIGAN

Condition: During our audit, it was noted that the County had outstanding checks, which were up to five (5) years old, listed on their Trust Agency Fund as the escheats account. The County holds five (5) years worth of outstanding checks before the County escheats these to the State.

Criteria: The Michigan Public Act 29 of 1995 provides that the County report and escheat unclaimed property to the State of Michigan in the year after they have been outstanding for more than one year.

Effect: The County is not in compliance with the Michigan Public Act 29 of 1995.

Recommendation: We recommend the County attempt to contact the payees in an effort to clear old outstanding checks. In the event that the rightful property owners cannot be located, we recommend the County review their unclaimed property and escheat funds to the State of Michigan as necessary.

Corrective Action Response: We have examined instructions on escheating unclaimed property to the State of Michigan and recognize that we had somehow overlooked the section that explained the one year time frame. We will begin escheating at one year.

The County's response to the finding identified in our audit is described above. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Commissioners of Branch County, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 1, 2008

Branch County, Michigan

**SUPPLEMENTARY INFORMATION TO
BASIC FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

December 31, 2007

Branch County, Michigan

TABLE OF CONTENTS

December 31, 2007

	<u>Page</u>
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	1-2
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	3-4
Notes to Schedule of Expenditures of Federal Awards	5-6
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	7-8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	9-12
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	13

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Commissioners
of Branch County
Coldwater, Michigan

Compliance

We have audited the compliance of Branch County, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. Branch County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Branch County's management. Our responsibility is to express an opinion on Branch County's compliance based on our audit.

Branch County's basic financial statements include the operations of the Branch-Hillsdale-St. Joseph Community Health Agency, which expended \$3,468,940 in federal awards during the year ended September 30, 2007, and the Branch County Road Commission, which expended \$584,864 in federal awards during the year ended December 31, 2007. Our audit, described below, did not include the operations of the Branch-Hillsdale-St. Joseph Community Health Agency or the Branch County Road Commission because the component units have engaged us and other auditors to perform separate audits in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Branch County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Branch County's compliance with those requirements.

In our opinion, Branch County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ending December 31, 2007.

Internal Control Over Compliance

The management of Branch County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Branch County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Branch County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Branch County, Michigan as of and for the year ended December 31, 2007, and have issued our report thereon dated July 1, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Branch County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 1, 2008

Branch County

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
PRIMARY GOVERNMENT			
U.S. DEPARTMENT OF JUSTICE			
Passed through Michigan Department of State Police Bulletproof Vest Partnership Program	16.607	N/A	\$ 4,066
Passed through Michigan Department of Community Health Edward Byrne Memorial Justice Assistance Grant Program	16.738		
FY 06-07		2007-2037	47,525
FY 07-08		2008-2240	10,217
			<hr/> 57,742
TOTAL U.S. DEPARTMENT OF JUSTICE			61,808
U.S. DEPARTMENT OF EDUCATION			
Passed through the State Office of Drug Control Policy Safe and Drug Free Schools and Communities (Governor's Discretionary Funds) Juvenile Day Treatment Pilot Program	84.186A		
FY 06-07		2007-1894	25,240
FY 07-08		2008-2320	10,211
			<hr/> 35,451
TOTAL U.S. DEPARTMENT OF EDUCATION			35,451
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through State Department of Office on Services to the Aging and Branch-Hillsdale-St. Joseph Community Health Agency Title III-D Special Programs for the Aging (Disease Prevention and Health Promotion Services)	93.043	N/A	
FY 06-07		N/A	565
FY 07-08			927
			<hr/> 1,492
Title III-B Special Programs for the Aging (Chore, Case Coordination, Homecare Assistance, In-Home Respite, and Information and Assistance)	93.044		
FY 06-07		N/A	15,817
FY 07-08		N/A	4,689
			<hr/> 20,506
Title III-E Special Programs for the Aging (Nation Family Caregiver Support Program)	93.052		
FY 06-07		N/A	14,936
FY 07-08		N/A	5,111
			<hr/> 20,047
Passed through Michigan Department of Human Services Title IV-D, Child Support Enforcement ^(c)	93.563		
Cooperative Reimbursement Program - Friend of the Court ^(a)			
2006-2007		CS/FOC-07-12001	384,180
2007-2008		CS/FOC-08-12001	116,621
Cooperative Reimbursement Program - Prosecuting Attorney ^(a)			
2006-2007		CS/PA-07-12002	52,443
2007-2008		CS/PA-08-12002	14,274

Branch County

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
PRIMARY GOVERNMENT - CONTINUED			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED			
Passed through Michigan Department of Human Services - Continued			
Title IV-D, Child Support Enforcement - Continued ^(c)			
Federal Incentive Payments - FOC ^(b)			
2005-2006		N/A	\$ 15,326
2006-2007		N/A	39,523
2007-2008		N/A	<u>12,906</u>
			635,273
Foster Care (Title IV-E) ^(a)	93.658		
2006-2007		PROFC-05-12001	3,466
2007-2008		PROFC-05-12001	<u>793</u>
			<u>4,259</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			681,577
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Michigan Department of Natural Resources			
Boating Safety Financial Assistance	97.012	N/A	30,265
Passed through Michigan Department of State Police			
Emergency Management Performance Grant	97.042	N/A	<u>10,123</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>40,388</u>
TOTAL PRIMARY GOVERNMENT			819,224
COMPONENT UNIT - HOUSING COMMISSION			
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Michigan State Housing Development Authority			
Community Development Block Grant - State's Program	14.228		
Housing Commission FY 07-08		MSC-2007-0773-HOA	<u>4,191</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 823,415</u>

Branch County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2007

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Branch County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements, which are reconciled in Note C.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) - (c) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Reimbursements of these contracts are passed through the State. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on the following percentages of Federal participation:

<u>Program</u>	<u>CFDA Number</u>	<u>Percent</u>
Cooperative Reimbursement	93.563	66%
Foster Care	93.658	50

- (b) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues.
- (c) Denotes programs tested as "major programs".

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the federal revenues reported in the December 31, 2007 basic financial statements to the expenditures of the County administered federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/ State Revenue</u>	<u>Less: State Revenue</u>	<u>Federal Award Expenditures</u>
PRIMARY GOVERNMENT			
GENERAL FUND			
Cooperative reimbursement - Prosecutor	\$ 75,234	\$ 8,517	\$ 66,717
Marine safety program	57,773	27,508	30,265
Traffic safety program	102,015	97,949	4,066
Other Programs	<u>686,758</u>	<u>686,758</u>	<u>-0-</u>
TOTAL GENERAL FUND	921,780	820,732	101,048

Branch County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2007

NOTE C: RECONCILIATION TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE EXPENDITURES - CONTINUED

	<u>Federal/ State Revenue</u>	<u>Less: State Revenue</u>	<u>Federal Award Expenditures</u>
PRIMARY GOVERNMENT - CONTINUED			
SPECIAL REVENUE FUNDS			
Friend of the Court	\$ 612,455	\$ 39,640	\$ 572,815
Juvenile Day Care Program	93,193	-	93,193
Commission on Aging	95,515	53,470	42,045
Homeland Security Grant	10,123	-	10,123
Other Funds	<u>595,892</u>	<u>595,892</u>	<u>-0-</u>
TOTAL SPECIAL REVENUE FUNDS	<u>1,407,178</u>	<u>689,002</u>	<u>718,176</u>
TOTAL PRIMARY GOVERNMENT	2,328,958	1,509,734	819,224
COMPONENT UNITS			
Housing Commission	<u>53,496</u>	<u>49,305</u>	<u>4,191</u>
TOTAL REPORTING ENTITY	<u>\$ 2,382,454</u>	<u>\$ 1,559,039</u>	<u>\$ 823,415</u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
of Branch County
Coldwater, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Branch County, Michigan as of and for the year ended December 31, 2007, which collectively comprise Branch County's basic financial statements and have issued our report thereon dated July 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Branch County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of Branch County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Branch County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described as Findings 2006-1, 2007-1, and 2007-2 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the deficiency described below as Finding 2007-3 in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Branch County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 2007-4 and 2007-5.

Branch County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Branch County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Commissioners of Branch County, others within the County, and the Federal award agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 1, 2008

Branch County, Michigan
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiencies identified that are not considered to be material weakness(es)?	<u> X </u>	Yes	<u> </u>	No
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiencies identified that are not considered to be material weakness(es)?	<u> </u>	Yes	<u> X </u>	None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 501(a) of Circular A-133?

<u> </u>	Yes	<u> X </u>	No
---------------	-----	--------------	----

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.563	Child Support Enforcement (Title IV-D)

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

2006-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP

Condition: As part of the audit process, the County, like many other governments, has historically relied on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. It is more cost effective to outsource the preparation of the annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally. The County requires the assistance of the independent auditors to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended December 31, 2007

Section II - Financial Statement Findings - continued

2006-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP - CONTINUED

Criteria: Governmental entities are required to issue financial statements that are prepared in accordance with GAAP. Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that responsibility for the financial statements rests with the County's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

Effect: The County relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP. This reliance makes the independent auditors effectively part of the County's internal controls. By definition, independent auditors cannot be part of the County's internal controls.

Recommendation: We recommend the County consider providing applicable employees with training that would allow them to attain the qualifications required to fully understand the GAAP financial statement preparation process. Should the County choose not to address this issue, management and the Board of Commissioners should realize that an increased risk is present.

This recommendation is not intended to imply that the County's contractual arrangement with the independent auditors, which includes preparation of the financial statements, is improper or should be changed. SAS 112 does not require that management actually prepare the financial statements, but it requires the independent auditors to comment when the applicable internal controls are not in place.

Corrective Action Response: The County will review applicable training and certification that will support the preparation and understanding of procedures and allocate the resources necessary to support this training.

2007-1 RECONCILIATION TO THE GENERAL LEDGER AND BANK RECONCILIATIONS

Condition: During our analysis of the Department of Human Services for Branch County, we noted that revenue and expenditure accounts maintained in the County's computerized general ledger were not reconciled with the general ledger maintained by the State of Michigan Department of Human Services for the year ended December 31, 2007.

Criteria: Internal control is a process - effected by an entity's board of directors, management, and other personnel - designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

Internal control consists of five interrelated components:

- a. *Control environment* sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
- b. *Risk assessment* is the entity's identification and analysis of relevant risk to achievement of its objectives, forming a basis for determining how the risks should be managed.
- c. *Control activities* are the policies and procedures that help ensure that management directives are carried out.
- d. *Information and communication* systems support the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.
- e. *Monitoring* is a process that assesses the quality of internal control performance over time.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended December 31, 2007

Section II - Financial Statement Findings - continued

2007-1 RECONCILIATION TO THE GENERAL LEDGER AND BANK RECONCILIATIONS - CONTINUED

The completion of bank reconciliations and other reconciliations is considered a monitoring activity and essential to sound internal control.

Effect: The reconciliation of accounts with the general ledger are a significant part of the internal controls of the Department. By not performing such reconciliations, the Department is not maintaining sufficient internal controls.

Recommendation: We recommend that the Department review and reconcile all accounts monthly and ensure that the balances are agreed with the computerized general ledger prior to audit fieldwork. The review should be documented with the reviewer's initials and date of review and be retained for audit purposes.

Corrective Action Response: In an effort to reconcile the County's general ledger with the State of Michigan D.H.S. general ledger we will receive a balance sheet of the month's activity from D.H.S. for comparison.

2007-2 LACK OF SUPPORTING DOCUMENTATION

Condition: During our review and testing of internal controls over credit card disbursements, we identified certain opportunities to strengthen internal controls over the purchasing and disbursement procedures. Specifically, we noted that supporting documentation could not be located for four (4) of ten (10) Home Depot purchases selected.

Criteria: Adequate controls over disbursements include obtaining invoices for all purchases to ensure appropriateness of all charges. These invoices should be attached to the credit card bill and retained for audit purposes.

Cause: Procedures are not currently in place or properly implemented which prevent cash disbursements when an invoice is not present.

Effect: Without adequate controls in place, the County is exposed to an increased risk of fraud.

Corrective Action Response: The County will work toward having all material journal entries completed before auditing fieldwork begins in the future.

2007-3 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries for the proper recognition of taxes receivable and related deferred revenue, accounts receivable, grants receivable, accounts payable, and depreciation were proposed by the auditors. These misstatements were not detected by the County's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the County's general ledger.

Criteria: Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

Effect: Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the County's internal controls.

Recommendation: We recommend that the County take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended December 31, 2007

Section II - Financial Statement Findings - continued

2007-3 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS - CONTINUED

Corrective Action Response: The County will work with the auditor to understand these entries and work toward internal control procedures to ensure these are identified and addressed by the County's internal controls.

2007-4 UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the County's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for various activities in the General Fund and various Special Revenue Funds. This issue was noted and reported in our audit comments last year.

Criteria: The Uniform Budgeting and Accounting Act requires the County to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

Cause: The County's budget was not amended as it became apparent that expenditures would exceed the amounts appropriated for various activities of the General Fund and various Special Revenue Funds.

Effect: The County adopted the budget for the General Fund at the activity level and at the total fund level for the Special Revenue funds. Having unfavorable budget variances as described above, the County is not in compliance with Public Act 621 of 1978, as amended.

Corrective Action Response: This year the County has implemented controls, e.g. quarterly and mid-year reviews to monitor the expenditures and revenues in an effort to provide a means to make adjustments if necessary. We will gauge the effectiveness of these controls in our ability to identify and take corrective action.

2007-5 ESCHEAT UNCLAIMED PROPERTY TO THE STATE OF MICHIGAN

Condition: During our audit, it was noted that the County had outstanding checks, which were up to five (5) years old, listed on their Trust Agency Fund as the escheats account. The County holds five (5) years worth of outstanding checks before the County escheats these to the State.

Criteria: The Michigan Public Act 29 of 1995 provides that the County report and escheat unclaimed property to the State of Michigan in the year after they have been outstanding for more than one year.

Effect: The County is not in compliance with the Michigan Public Act 29 of 1995.

Recommendation: We recommend the County attempt to contact the payees in an effort to clear old outstanding checks. In the event that the rightful property owners cannot be located, we recommend the County review their unclaimed property and escheat funds to the State of Michigan as necessary.

Corrective Action Response: We have examined instructions on escheating unclaimed property to the State of Michigan and recognize that we had somehow overlooked the section that explained the one year time frame. We will begin escheating at one year.

Section III - Federal Award Findings and Questioned Costs

None

Branch County, Michigan

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended December 31, 2007

FINDINGS/NONCOMPLIANCE

Control Deficiencies and Material Weaknesses Related to Internal Controls Over the Financial Statements.

2006-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP

Condition: It has historically been common for many governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

Resolution: This issue was noted during the current audit. We do not consider this issue resolved.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

2006-2 UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the County's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for various activities in the General Fund and various Special Revenue Funds.

Resolution: A similar issue was noted during the current audit. We have repeated the finding in 2007-4.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings.